

<b>AWARD/CONTRACT</b>		1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 350)	RATING	PAGE OF PAGES 1 165
2. CONTRACT (Proc. Inst. Ident.) NO.		3. EFFECTIVE DATE August 1, 2004	4. REQUISITION/PURCHASE REQUEST PROJECT NO. R-OPC-22505	
5. ISSUED BY U.S. Department of Housing & Urban Development Office of the Chief Procurement Officer Program Support Division 451 7 <sup>th</sup> Street, Room 5256 Washington, DC 20410-3000	CODE	6. ADMINISTERED BY ((If other than Item 5)) CODE		
7. NAME AND ADDRESS OF CONTRACTOR (No., street, city, county, State and ZIP Code)		8 DELIVERY <input type="checkbox"/> FOB ORIGIN <input type="checkbox"/> OTHER (See below)		9. DISCOUNT FOR PROMPT PAYMENT None
CODE		FACILITY CODE		10 SUBMIT INVOICES (4 copies unless otherwise specified) To THE ADDRESS SHOWN IN:
11. SHIP TO/MARK FOR Government Technical Representative (GTR)		CODE	12. PAYMENT WILL BE MADE BY Single Family Acquired Asset Management System (SAMS)	
13. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION <input type="checkbox"/> 10 U.S.C. 2304(c) ( ) <input type="checkbox"/> 41 U.S.C. 253(c) ( )		14. ACCOUNTING AND APPROPRIATION DATA		
15A. ITEM NO	15B. SUPPLIES/SERVICES	15C. QUANTITY	15D. UNIT	15E. UNIT PRICE
	This award/contract is for Single-Family Management and Marketing Services for Geographic Area X at the unit prices specified in Section B.6.	See Section B.3		
<b>15G. TOTAL AMOUNT OF CONTRACT</b>				\$
<b>16. TABLE OF CONTENTS</b>				
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<b>CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE</b>				
17. <input type="checkbox"/> CONTRACTORS NEGOTIATED AGREEMENT (Contractor is required to sign this this document and return _____, copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed herein.)		18. <input type="checkbox"/> AWARD (Contractor is not required to sign this document.) Your offer on Solicitation Number _____, including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual document is necessary.		
19A. NAME AND TITLE OF SIGNER (Type or print)		20A. NAME OF CONTRACTING OFFICER  Brenda Y. Thomas		
19B. NAME OF CONTRACTOR	19C. DATE SIGNED	20B. UNITED STATES OF AMERICA	20C. DATE SIGNED	
BY _____ (Signature of person authorized to sign)		BY _____ (Signature of Contracting Officer)		

**PART I - THE SCHEDULE**

**SECTION B - SUPPLIES OR SERVICES AND PRICE/COSTS**

**B.1 SERVICE**

The Contractor shall provide Management & Marketing services to successfully monitor mortgagee compliance, market and manage single family properties owned by, or in the custody of, the Department of Housing and Urban Development (HUD), and oversee the sales closing activity, including proper accounting for HUD's sales proceeds. See Section C, Performance Work Statement, herein for detailed technical requirements.

**B.2 CONTRACT DEFINITION - INDEFINITE –QUANTITY/FIXED-UNIT-RATE**

This is an Indefinite Quantity, Fixed-Unit-Rate contract as defined at Subpart 16.504 of the Federal Acquisition Regulation and in Section I, Clause 52.216-22, Indefinite Quantity, herein. Services provided by the Contractor under this contract shall be obtained as stated in G.6, Ordering Procedures.

**B.3 AS 108 MINIMUM/MAXIMUM QUANTITIES FOR ORDER (SERVICES OR SUPPLIES)**

(a) The Government shall order a minimum quantity under this contact as set forth as follows:

<b>Area X</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total All Years</b>
Minimum	100	100	100	100	100	500
Maximum	1,000	1,000	1,000	1,000	1,000	5,000

(b) The Government does not guarantee a maximum quantity. However, the maximum quantity to be ordered shall not exceed the maximums set forth above in Section B.3 - Minimum/Maximum Order Quantities.

**B.4 NOT-TO-EXCEED LIMITATION**

(a) The total amount of funds currently available for the payment of work performed under this contract is \$\_\_\_\_\_. The Government shall not order, nor shall the Contractor be required to accept orders for work or perform work or make deliveries, that exceed the stated funding limit.

(b) The Government may unilaterally increase the amount to be obligated through contract modification(s) until the full contract value has been obligated.

## **B.5 GEOGRAPHIC SERVICE AREAS AND AWARD DESIGNATIONS**

The geographic service area and the award designations covered by this contract include the following areas within the Homeownership Centers (HOCS):

### **XX HOC**

Area X - XX

The Government may unilaterally increase the geographic service area of this contract as specified in clause H.2, Option to Increase the Geographic Service Areas.

**[B.6 STARTS ON NEXT PAGE]**

## B.6 FIXED-UNIT RATE STRUCTURE

As full compensation for the services required under this contract the Contractor shall be paid the fixed-unit-rate as proposed below for each contract line item number (CLIN); unless otherwise specifically identified as an incentive fee or a pass-through expense in the contract and listed in Section J, Attachment 5. The Contractor is entitled to, and shall be paid the management and marketing incentive fees, but only if they are earned (See Section B.9). The Contractor shall not be entitled to any compensation for services performed or for expenditures incurred after closing of a sale, except for expenditures as may be appropriate under Section J, Attachment 5. Unless otherwise specified in Section J, Attachment 5, the GTR must approve any pass-through expenses prior to incurring the expense.

**HOC: XXX**

**AREA #: XXX**

### YEAR 1

CLIN 0001	PROPERTY MANAGEMENT FEE – Per Property	\$xx
CLIN 0002	VACANT LOT MANAGEMENT FEE – Per Property	\$xx
CLIN 0003	MARKETING FEE – Percentage of Net Offer Amount Per Property	x%
CLIN 0004	HELD OFF MARKET PROPERTIES FEE - Fixed Monthly Fee Per Property	\$xx
CLIN 0005	CUSTODIAL FEES – Fixed Monthly Fee Per Property	\$xx
CLIN 0006	MANAGEMENT INCENTIVE FEE (calculated as a percent of total property management fee billable during a three-month performance period)	3% or 5%
CLIN 0007	MARKETING INCENTIVE FEE (Maximum percent; amount calculated as a percentage of the total marketing fee billable during a three-month performance period)	10% Maximum
CLIN 0008	ESTIMATED PER PROPERTY PASS-THROUGH COST (See Attachment 5 for descriptions of typical pass-through expenses)	\$xx

### OPTION 1

CLIN 0001	PROPERTY MANAGEMENT FEE – Per Property	\$xx
CLIN 0002	VACANT LOT MANAGEMENT FEE – Per Property	\$xx
CLIN 0003	MARKETING FEE – Percentage of Net Offer Amount Per Property	x%
CLIN 0004	HELD OFF MARKET PROPERTIES FEE - Fixed Monthly Fee Per Property	\$xx
CLIN 0005	CUSTODIAL FEES – Fixed Monthly Fee Per Property	\$xx
CLIN 0006	MANAGEMENT INCENTIVE FEE (calculated as a percent of total property management fee billable during a three-month performance period)	3% or 5%
CLIN 0007	MARKETING INCENTIVE FEE (Maximum percent; amount calculated as a percentage of the total marketing fee billable during a three-month performance period)	10% Maximum
CLIN 0008	ESTIMATED PER PROPERTY PASS-THROUGH COST (See Attachment 5 for descriptions of typical pass-through expenses)	\$xx

### OPTION 2

CLIN 0001	PROPERTY MANAGEMENT FEE – Per Property	\$xx
CLIN 0002	VACANT LOT MANAGEMENT FEE – Per Property	\$xx
CLIN 0003	MARKETING FEE – Percentage of Net Offer Amount Per Property	x%
CLIN 0004	HELD OFF MARKET PROPERTIES FEE - Fixed Monthly Fee Per Property	\$xx
CLIN 0005	CUSTODIAL FEES – Fixed Monthly Fee Per Property	\$xx
CLIN 0006	MANAGEMENT INCENTIVE FEE (calculated as a percent of total property management fee billable during a three-month performance period)	3% or 5%
CLIN 0007	MARKETING INCENTIVE FEE (Maximum percent; amount calculated as a percentage of the total marketing fee billable during a three-month performance period)	10% Maximum
CLIN 0008	ESTIMATED PER PROPERTY PASS-THROUGH COST (See Attachment 5 for descriptions of typical pass-through expenses)	\$xx

**OPTION 3**

CLIN 0001	PROPERTY MANAGEMENT FEE – Per Property	\$xx
CLIN 0002	VACANT LOT MANAGEMENT FEE – Per Property	\$xx
CLIN 0003	MARKETING FEE – Percentage of Net Offer Amount Per Property	x%
CLIN 0004	HELD OFF MARKET PROPERTIES FEE - Fixed Monthly Fee Per Property	\$xx
CLIN 0005	CUSTODIAL FEES – Fixed Monthly Fee Per Property	\$xx
CLIN 0006	MANAGEMENT INCENTIVE FEE (calculated as a percent of total property management fee billable during a three-month performance period)	3% or 5%
CLIN 0007	MARKETING INCENTIVE FEE (Maximum percent; amount calculated as a percentage of the total marketing fee billable during a three-month performance period)	10% Maximum
CLIN 0008	ESTIMATED PER PROPERTY PASS-THROUGH COST (See Attachment 5 for descriptions of typical pass-through expenses)	\$xx

**OPTION 4**

CLIN 0001	PROPERTY MANAGEMENT FEE – Per Property	\$xx
CLIN 0002	VACANT LOT MANAGEMENT FEE – Per Property	\$xx
CLIN 0003	MARKETING FEE – Percentage of Net Offer Amount Per Property	x%
CLIN 0004	HELD OFF MARKET PROPERTIES FEE - Fixed Monthly Fee Per Property	\$xx
CLIN 0005	CUSTODIAL FEES – Fixed Monthly Fee Per Property	\$xx
CLIN 0006	MANAGEMENT INCENTIVE FEE (calculated as a percent of total property management fee billable during a three-month performance period)	3% or 5%
CLIN 0007	MARKETING INCENTIVE FEE (Maximum percent; amount calculated as a percentage of the total marketing fee billable during a three-month performance period)	10% Maximum
CLIN 0008	ESTIMATED PER PROPERTY PASS-THROUGH COST (See Attachment 5 for descriptions of typical pass-through expenses)	\$xx

**NOTE: A DETAILED DESCRIPTION OF EACH CLIN IS IN B.7 BELOW.**

**B.7 CLIN DESCRIPTION****CLIN 0001 PROPERTY MANAGEMENT FEE**

The Contractor shall be paid a fixed fee per HUD-owned property, for all requirements of Section C - 5.1, Section C - 5.2 and Section C - 5.3. Though submitting as a single fixed fee, the Contractor shall be paid in four equal monthly installments. The Contractor shall invoice one fourth of the Property Management fee each month for four months beginning with the month the property is assigned.

If the property closes or is reconveyed to a Mortgagee before the four installments are paid, the remaining Property Management fee shall be invoiced in the month the property reconciles or is reconveyed. If, within 90 days of a reconveyance, a second conveyance of the same property is accepted from a Mortgagee, the Contractor shall not be entitled to receive a second Property Management fee for that property. Properties demolished after acquisition will be paid a Property Management fee and not invoiced as vacant lot properties. The Property Management fee will not be paid on Custodial Properties.

The Property Management fee will not be paid on properties transferred from a former Contractor during transition that are under contract for sale, if any subsequent sale of the property to that purchaser(s) is completed. If a sale to the original purchaser is not completed, the Contractor may

invoice one fourth of the Property Management fee each month for four months beginning in the month the contract is terminated. If the M & M contract expires before the four installments of the Property Management fee are paid for an assigned property, the Contractor shall be entitled to the unpaid installments of the fee.

#### **CLIN 0002 VACANT LOT MANAGEMENT FEE**

For HUD-owned properties that are vacant lots at time of assignment, the Contractor shall be paid a fixed fee per property for all requirements of Section C - 5.1, Section C - 5.2 and those requirements of Section C - 5.3 that apply to vacant lots. Though submitting as a single fixed fee, the Contractor shall be paid in four equal monthly installments. The Contractor shall invoice one fourth of the Vacant Lot Management fee each month for four months beginning with the month the property is assigned.

If the property closes or is reconveyed to a Mortgagee before the four installments are paid, the remaining property management fee shall be invoiced in the month the property reconciles or is reconveyed. If, within 90 days of a reconveyance, a second conveyance of the same property is accepted from a Mortgagee, the Contractor shall not be entitled to receive a second Vacant Lot Management fee for that property.

The Vacant Lot Management fee will not be paid on properties transferred from a former Contractor during transition that are under contract for sale if any subsequent sale of the property to that purchaser(s) is completed. If a sale to the original purchaser is not completed, the Contractor may invoice one fourth of the Vacant Lot Management fee each month for four months beginning in the month the contract is terminated. If the contract expires before the four installments of the Vacant Lot Management fee are paid for an assigned property, the Contractor shall be entitled to the unpaid installments of the fee.

#### **CLIN 0003 MARKETING FEE**

The Contractor shall be paid a fixed percentage of the net offer amount for each property as it is defined in the PWS for all of the requirements of Section C - 5.4. The fee shall be invoiced in the month the property reconciles. The marketing percentage and calculation will be the same for all sales including discounted sales, \$1 Home sales and vacant lots with the exception that for properties sold under the Asset Control Area Program, while the fixed percentage will be the same, the fee will be calculated as a percentage of an amount equal to 50% of the appraised value of the property.

#### **RENTAL PROPERTIES**

There will be no separate CLIN for rental properties. The Contractor will receive the scheduled property management and marketing fees for properties in this category.

#### **CLIN 0004 HELD OFF MARKET "PROGRAM MANDATE" PROPERTIES FEE**

The Contractor will be paid a fixed monthly fee for those ongoing maintenance tasks in Section C - 5.3.13 that are required for properties wherein HUD has determined 1) the Contractor's marketing effort will be delayed by unusual circumstances, or 2) that the property will not be offered for sale through the Contractor. These properties will be listed in SAMS with a Held Off Market (HOM) code designation of

“PM” (Program Mandate). Placement of properties by the Contractor into this category after contract inception requires advance approval of the Government Technical Representative (GTR).

Any month after all installments of the Property Management or Vacant Lot Management Fee have been invoiced for a property that is listed in SAMS with a PM designation, the Contractor shall invoice for such property a Held Off Market--Program Mandate monthly fee. When the program mandate designation is removed the Contractor shall be entitled to receive a marketing fee when earned.

There are some properties that, due to unusual circumstance, will be assigned to the Contractor for management as HOM PM properties **only** and will never be offered for sale through the Contractor. The GTR will identify these properties to the Contractor. The Contractor shall be entitled to bill HOM PM fees on those properties beginning in the first month of assignment but shall not be entitled to receive Property Management, Vacant Lot Management or Marketing fees on those properties.

#### **CLIN 0005 CUSTODIAL FEES**

The Contractor shall be paid a fixed monthly fee per property for those property management requirements described in Section C - 5.3.12 relating to custodial properties managed but not owned by HUD. The fee will be invoiced monthly beginning with the month the property is assigned to the Contractor. In the month following the month a property converts from custodial to HUD-owned, the Contractor will no longer receive the Custodial Fee but will be entitled to begin invoicing the Property Management Fee or Vacant Lot Management Fee.

#### **CLIN 0006 AND CLIN 0007 INCENTIVE FEES**

Management and marketing incentive fees will be paid if earned. Please refer to Section B.9 for more information on incentive fees.

#### **CLIN 0008 PASS –THROUGH EXPENSES**

The Contractor shall be entitled to compensation for services performed or for expenditures incurred as may be appropriate under Section J, Attachment 5; Pass-Through Expenses. The cost per property as identified in the CLIN 008 is an estimated cost and should not be misconstrued as the actual per property pass-through cost or expense that may be incurred by the contractor. The per-property pass-through expense is listed as contractor line item as it is a cost that is reflected in the overall contract value. The GTR will track all pass-through expenses on a quarterly basis (See Section G.) and provide a report quarterly to the Contracting Officer (CO).

### **B.8 PAYMENT AT CONTRACT EXPIRATION**

The Contractor understands and accepts the risk that, upon expiration of the contract, including any options to extend that are exercised, properties assigned to it may remain unlisted or unsold. In such case, in accordance with the fixed unit price nature of this contract, the Contractor shall only receive the portion of the fixed unit price due for the property as reflected in B.7. For services that the Contractor may have performed during the contract term on HUD-owned properties which remain unlisted, unsold or have not closed at contract expiration, and in lieu of any other compensation which may apply to payment at contract expiration, the Contractor and HUD agree that HUD shall only pay the Contractor

as specified in B.7 as the **sole and exclusive compensation due** for such properties. The Contractor will not receive any further compensation for properties listed but not yet sold, closed and reconciled at the time of contract expiration. HUD will pay the Contractor appropriate pass through costs, which the Contractor may have incurred during the contract term, and which under the specific language of the contract the Contractor is entitled.

## **B.9 INCENTIVES AND DISINCENTIVES**

The Contractor is expected to consistently perform at no less than the minimum performance requirements indicated in Section C-5.6. Contractors who perform significantly above or below the minimum in key performance measures may earn incentive payments or be assessed a financial disincentive. While all minimum performance requirements are important, incentives and disincentives may be earned for performance of property management as measured by a single indicator of performance and incentives may be earned for marketing as described below. The Government Technical Representative is responsible for conducting the incentive and disincentive evaluation on a quarterly basis.

**Property Management** - The Contractor's ability to earn an incentive or disincentive is based on the Contractor's quarterly average Special Property Inspection Score.

- **No Incentive or Disincentive:** The Contractor shall not earn either an incentive or a disincentive when the Contractor's quarterly score for property management is between 75 and 89 points on the 100 point scale.
- **Incentive:** If the Contractor receives a property management score of 90 to 94 for performance during a given quarter, the Contractor shall be entitled to an additional payment of 3% of the total property management fee billable during that three-month performance period.

If the Contractor's quarterly property management score is between 95 and 100, the Contractor shall be entitled to an additional payment of 5% of the total property management fee billable during that three-month performance period.

- **Disincentive:** If the Contractor receives a property management score of 74 to 66 for performance during a given quarter, the Contractor shall be assessed a disincentive fee of 5% of the total management fee billable during the three-month performance period.

If the Contractor's quarterly property management score is between 65 and 60, the Contractor shall be assessed a disincentive fee of 7% of the total property management fee billable for the three-month performance period.

If the Contractor's quarterly property management score is less than 60, the Contractor shall be assessed a disincentive fee of 10% of the total property management fee billable for the three-month performance period.

**Marketing** – The Contractor’s ability to earn a marketing incentive is based on two factors.

- **Meet Baseline Performance in 4 Factors** - First the Contractor must meet or exceed the minimum performance requirements in each of the following four indicators listed in Section C.5.6.1 of the PWS.
  - Average net proceeds as a percentage of initial list price;
  - Average net holding time;
  - Sales to owner occupants; and
  - Percentage of cases in inventory over twelve (12) months.
- **Exceed Baseline Performance in 1 Factor** - If the Contractor meets or exceeds performance requirements in **all** of the four factors listed during the performance quarter, the Contractor may earn a performance incentive equal to the percentage of improvement over the minimum performance requirement for average net return as a percentage of claim, up to a maximum of ten (10) percent. The incentive, which shall be rounded to the nearest one-quarter percent, shall be calculated as a percentage of the total marketing fee billable during the three-month reporting period.

**Example:** If the minimum performance requirement on Attachment 1 is 72% net return as a percent of claim and HUD’s average net return for the performance quarter was 74.4% in that contract area, the Contractor would be entitled to a marketing incentive of 2.5% of the total marketing fee billed during the three-month reporting period.

**B.10 ESTIMATED BASE PERIOD CONTRACT VALUE**

The overall estimated contract value of the contract is as follows:

Management and Marketing Fees:	\$XX
Management Incentive Fees:	\$XX
Marketing Incentive Fees:	\$XX
Pass-through cost/expenses:	\$XX

**Total Overall Estimated Contract Value: \$XX**

See Section J, Attachment 9, Contract Value Calculations. Option year values shall be established in accordance with the attachment.

**SECTION C - DESCRIPTION/SPECIFICATIONS/STATEMENT OF WORK**

**C.1 STATEMENT OF WORK**

**MANAGEMENT AND MARKETING**  
**SUPPORT SERVICES**

**PERFORMANCE WORK STATEMENT**

**SECTION C - DESCRIPTION/SPECIFICATIONS/STATEMENT OF WORK**

**MANAGEMENT AND MARKETING  
SUPPORT SERVICES**

**PERFORMANCE WORK STATEMENT**

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**MANAGEMENT AND MARKETING  
SUPPORT SERVICES**

**PERFORMANCE WORK STATEMENT**

**C-1. GENERAL INFORMATION**

**1.1.1. Background**

The Federal Housing Administration (FHA), an organizational unit within the United States Department of Housing and Urban Development (HUD), administers the single-family mortgage insurance program. FHA insures approved lenders against the risk of loss on loans they finance for the purchase, and in some instances rehabilitation, of single-family homes. In the event of a default on an FHA insured loan, the lender acquires title to the property by foreclosure, a deed-in-lieu of foreclosure, or other acquisition method, files a claim for insurance benefits and conveys the property to HUD. As a result of acquisitions through the mortgage insurance program and other programs, HUD has a need to manage and sell a sizable inventory of single-family homes in a manner that promotes home ownership, preserves communities, and maximizes return to the FHA insurance funds. HUD is the largest single seller of real estate in the US. In fiscal year 2002, the Department sold 63,000 single-family homes.

In 1999, HUD began outsourcing to the private sector the disposition of these properties. HUD currently has contracts with seven firms who provide management and marketing (M&M) services in 18 contract areas throughout the United States, Puerto Rico, the Caribbean, Guam and the Northern Marianna Islands. Since the initiation of outsourcing, HUD has experienced improvements in program performance including increased net revenue and a reduction in inventory. HUD has an ongoing need for these services and wishes to build on the success of the outsourcing program.

HUD is awarding new, performance-based contracts, in part, to better align the contract with the Department's objective to preserve communities and promote homeownership, as well as, to incorporate recent legislative and regulatory requirements. Additionally, the Department will use the contract as an opportunity to take advantage of new technology and provide more opportunities for small, small disadvantaged and HUBZONE businesses.

HUD administers the disposition program through four Homeownership Centers (HOC) located in Philadelphia, Pennsylvania; Atlanta, Georgia; Denver, Colorado; and Santa Ana, California. Each HOC is responsible for a designated geographic area. Contractors shall coordinate delivery of services with Government Technical Representatives (GTRs) at the HOC with jurisdiction over the area in which the services are provided. This section provides general information that assists in understanding the contract requirements. Section C-2 provides definitions and abbreviations used throughout this document. Sections C-3 and C-4 provide information on Government and Contractor provided goods and services. Section C-5 presents the performance based requirements of the Performance Work Statement (PWS), identifies the performance evaluation criteria and identifies applicable government publications, laws, directives and forms to be followed in all work performed. All Sections and Attachments should be read as a single, interrelated document.

### 1.1.2. Purpose and Objectives

The purpose of HUD's property disposition program, codified in the Code of Federal Regulations at 24 CFR Part 291.1(a) (2), is to expand homeownership opportunities, strengthen neighborhoods and communities and maximize the return to the FHA insurance funds. The Management & Marketing (M&M) services will successfully manage, market and sell single-family properties throughout the United States owned by, or in the custody of, HUD. Single-family properties generally have one to four dwelling units; however, in rare instances they may have more than four dwelling units. Additional required services include successful oversight of HUD designated Closing Agents who conduct sales closings on HUD's behalf, review of lender claims for insurance benefits to ensure HUD's interests are protected and guidance to Mortgagees related to pre-conveyance responsibilities. The Contractor shall successfully perform or manage the following services:

1. Property maintenance and repair;
2. Testing for lead based paint and stabilization of deteriorated lead based paint;
3. Property appraisals;
4. Real estate advertising and marketing;
5. Review of claims for insurance benefits;
6. Rental property management;
7. Property title review and resolution of title exceptions;
8. Community outreach;
9. Management of a large number of Subcontractors;
10. Contract negotiations and preparation of legal documents;
11. Oversight of sales closings;
12. Accounting reconciliation;
13. Auditing.

The Contractor shall:

1. Interface with HUD's equipment and software.
2. Establish and maintain a secure Internet-based property tracking system and public website for listing properties for sale and accepting bids.
3. Protect, preserve, value, and market HUD-owned properties in a manner that encourages homeownership opportunities, preserves communities, and provides the greatest return to the FHA insurance funds.

HUD has identified three primary objectives for its property disposition program. They are to ensure that:

- Mortgagees comply with HUD's property conveyance requirements.
- HUD-owned and HUD-custodial properties are maintained in a manner that preserves communities and maintains the value of the properties.
- HUD-owned single-family properties are marketed and sold in a way that maximizes net return, minimizes holding time, and expands homeownership.

## **1.2. SCOPE AND OUTCOMES**

The scope of services required under this Performance Work Statement (PWS) is divided into four sections, general tasks identified in Section C-5 of this PWS that relate to all of the performance areas and three primary performance areas corresponding to the contract objectives. The following specific outcomes have been identified for the PWS.

### **1.2.1. General Requirements**

1. HUD has real time access to all property related information.
2. There is a high level of customer satisfaction with HUD's property disposition program.

### **1.2.2. Ensure Mortgagee Compliance**

1. Servicing Mortgagees receive timely and accurate guidance on pre-conveyance issues.
2. Good and marketable title is conveyed to the Department.
3. HUD's interest is protected in review of claims for insurance benefits.

### **1.2.3. Property Management**

1. Properties are secured and safe from hazardous conditions.
2. Property values are preserved.
3. Properties are maintained in a manner that reflects a high standard of care.

### **1.2.4. Marketing and Sale**

1. Properties are accurately valued
2. Sales achieve the highest net return.
3. Holding time is minimized.
4. Sales create homeownership opportunities and preserve neighborhoods.
5. Closing proceeds are properly accounted for and delivered to HUD in a timely manner.

Performance under this contract will require interaction with existing and future HUD Contractors, mortgage lenders and their representatives, homebuyers, investors, the real estate industry, nonprofit housing and advocacy organizations, Federal, state and local governments and HUD staff.

This contract will be affected by changes in regulation, legislation, or housing policy initiatives identified by the White House or the HUD Secretary. The Contractor shall be aware of and incorporate in its operating procedures any and all changes to applicable legislation, regulation and policy. Additionally, the Contractor should be aware of the incorporation of contract clause FAR 52.243-1 - Changes - Fixed Price, Alternate I. The Contractor shall inform the Contracting Officer and the GTR no later than thirty (30) days from the effective date of any change in regulation, legislation, or housing policy initiative that impacts contract performance.

### **1.3. CONTRACT AREAS ADMINISTRATION AND OVERSIGHT**

A HUD Contracting Officer (CO) and a HUD Government Technical Representative (GTR) located in the Homeownership Center identified next to each contract area will have primary responsibility for administration of the contract. Additionally, a Principal CO and a Principal GTR will provide oversight and ensure coordination of services across all contract areas. All reference to the authority of the CO or the GTR in this PWS also extends to the Principal CO and Principal GTR.

For minimum/maximum quantities for order, see Section B.3, Minimum and Maximum Order Quantities.

Unless otherwise specifically noted in this PWS, performance of all tasks is required in all contract areas.

## C-2. ABBREVIATIONS, DEFINITIONS, ACQUISITION TYPES

### 2.1.1. ABBREVIATIONS

<b>ABBREVIATIONS</b>	<b>Definition</b>
ACA	Asset Control Area
ACO	Administrative Contracting Officer
ADP	Automated Data Processing
ARR	Administrative Remedies Report
BPO	Broker Price Opinion
CFR	Code of Federal Regulations
CO	Contracting Officer
EMS	Electronic Monitoring System
FHA	Federal Housing Administration
FOIA	Freedom of Information Act
GTM	Government Technical Monitor
GTR	Government Technical Representative
HECM	Home Equity Conversion Mortgage
HOC	Homeownership Center
HOM	Held Off Market
HUD	U.S. Department of Housing and Urban Development
LPOA	Limited Power of Attorney
M&M	Management and Marketing Contractor
MPS	Minimum Property Standards
MPR	Minimum Property Requirements
NAID	Name and Address Identifier
OND	Officer Next Door Program
PCO	Principal Contracting Officer
PMM	Purchase Money Mortgage
PRS	Performance Requirement Summary
PWS	Performance Work Statement
QC	Quality Control
RAL	Revitalization Area Locator
REO	Real Estate Owned
SAMS	Single Family Acquired Asset Management System
SFIS	Single Family Insurance System
SHM	Secretary Held Mortgage or Loan
SPI	Special Property Inspection
SSA	System Security Administrator
TND	Teacher Next Door Program

## 2.1.2. DEFINITIONS

**Adverse Occupants** – Occupants who are in possession of a HUD owned or Custodial property without the legal right to be there.

**Administrative Contracting Officer** – After contract award, the HUD official authorized to execute and administer contractual documents based on this contract and who is also responsible for the day-to-day administration of this contract and delegating contract administration responsibilities to contracting staff and Government Technical Representatives.

**Acquisition** – the process through which a real property or mortgage note secured by a real property is conveyed to HUD. Properties and mortgage notes are conveyed (acquired) from a number of sources. See Acquisition Types, 2.3.

**Affiliated Entity** - (a) As to Contractor, any Entity (i) controlling, controlled by, or under common control with the Contractor, or (ii) whose Management Officials are an Immediate Family member of a Management Official of the Contractor; or (b) As to Subcontractor, any Entity (i) controlling, controlled by, or under common control with the Subcontractor, or (ii) whose Management Officials are an Immediate Family member of a Management Official of the Subcontractor, including any agent or broker, licensed under a listing broker, used to list HUD-owned properties; or (c) As to any other Entity, any Entity (i) controlling, controlled by, or under common control with the other Entity, or (ii) whose Management Officials are an Immediate Family member of a Management Official of the other Entity.

**Asset Control Area (ACA) Program** – a program for the disposition to eligible participants of HUD-owned properties and future HUD acquisitions of properties and/or mortgage loans located within HUD designated revitalization areas.

**Broken Window** – a pane of glass that has a visible opening that permits entry or exposure to the elements or which is so badly cracked as to constitute a hazard, e.g. a window with a crack that divides a single pane into two or more pieces.

**Contract Award Date** - the date upon which HUD and the Contractor have both executed a contract based on this PWS.

**Contracting Officer** - the HUD official authorized to execute and administer a contract based on this PWS on behalf of HUD and includes any duly appointed successor or authorized representative.

**Contractor** – the individual, partnership, corporation or other entity, which is the party subject to the terms and conditions of this contract.

**Control** - as to any Entity, the power to direct or cause the direction of the management and policies of such Entity, whether through the ownership of voting securities, by contract, or otherwise. The term “**Controlled**” shall have a correlative meaning.

**Cracked Window** – a pane of glass that is still intact but may have slight imperfections that do not amount to an opening in the glass or do not constitute a hazard, e.g. a pane of glass that has been damaged but not broken and there is no danger of falling glass or weather damage to the property.

**Custodial Property** – a borrower owned property that serves as security for a secretary-held mortgage (including a HECM), which HUD, through the Contractor, has taken possession of following default and vacancy or abandonment.

**Days** – Unless otherwise specified in the Request for Proposal (RFP) all references to days means calendar days.

**Deteriorated Paint** - any interior or exterior painted surface that exhibits cracking, scaling, chipping, peeling, or loose paint.

**Defective Service** – a service or deliverable that does not meet the performance standard specified in the contract for a specific performance requirement.

**Electronic Transmission** – a message transmitted electronically in a format displayed on equipment, for example, a personal computer monitor or facsimile machine. The electronic media used to deliver electronic messages displayed on a personal computer monitor includes electronic mail or another method acceptable to HUD.

**Emergency Contact Sign** - a visible sign on the property that provides a toll free, 24-hour telephone number to report emergencies.

**Entity** - any individual, corporation, partnership, joint venture, Limited Liability Company, trust, association, or any other entity.

**Exclusive Listing Period** – a period of days determined by HUD (not to exceed 30 days), that a property is available for sale exclusively to owner-occupant purchasers.

**Existing Property** - a property that had been assigned to a former Contractor. These properties have usually been inspected, appraised (or orders for appraisals have been placed), and initial property maintenance services have been performed. These properties may be HUD-owned properties or HUD-custodial properties.

**Extended Listing Period** – the entire period following the exclusive listing period that a property is offered for sale to the general public on a competitive basis.

**Fair Market Value (FMV)** – the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, to include, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus.

**FHA Connection** – an Internet-based system that provides FHA business partners and Contractors secure interaction with HUD mainframe systems to perform required reporting and research the origination and servicing history of FHA insured loans.

**Government Technical Monitor (GTM)** – a HUD employee who assists the GTR and may be delegated some duties of the GTR.

**Government Technical Representative (GTR)** – a HUD employee who acts as the Contracting Officer's representative in all matters concerning the technical aspects of a contract. The GTR is responsible for giving

Contractors technical advice and guidance related to the work required by the contract. Moreover, the GTR is the principal judge of a Contractor's performance, including the quality and timeliness of services.

**Held-off-Market (HOM) Properties** - properties that HUD has determined not to offer for immediate sale. Properties may be held off market at any point after assignment to the Contractor.

**Home Equity Conversion Mortgage (HECM)** – a specialized mortgage product available only to senior citizens that allows them to receive cash payments from the equity in their home.

**HUDClips** – a web-based directory of all of HUD's official policies and directives including notices, Mortgagee Letters, Housing Notices, Handbooks, Code of Federal Regulations and US Codes Titles 12 and 24. The Internet address for HUDClips is, <http://www.hudclips.org/cgi/index.cgi>.

**HUD-Owned Properties** - those properties that HUD owns by reason of payment of an insurance claim or another acquisition method. Unless otherwise indicated the term includes vacant land and occupied-conveyance properties. HUD-owned properties are also referred to as HUD REO or HUD-homes.

**Immediate Family** - as to any person and whether by blood, law, or marriage, (i) his or her spouse or registered domestic partner, (ii) his or her children, siblings, or parents, or (iii) the spouses or registered domestic partners of his or her children, siblings, or parents.

**Initial List Date** – the date a property is first listed for competitive sale during the exclusive listing period.

**Initial List Price** – the first price at which the property is offered for sale. Initial list price shall be determined based on an appraisal.

**List Price** - the price at which a property is being offered for sale.

**Lottery Period** - the five (5) day period, during which properties are available for direct sale only to government entities, qualified nonprofit organizations and Officer/Teacher Next Door participants. At the end of the 5-day period, the winning bidder is selected by random drawing of lots.

**Management Official** - as to any Entity, its owner, partner, principal, shareholder, director, officer, employee, agent, representative, or any individual who directs its daily operations.

**Minimum Property Requirements (MPR)** – a minimum quality level acceptable to HUD for new construction of single-family housing. The requirements can be found in 24 CFR 200.926 through 200.926e.

**Minimum Property Standards (MPS)** – the minimum level of quality for existing 1-4 unit properties to be considered technically acceptable for insurance under FHA programs. The standards for MPS are found in HUD Handbook 4905.1 Rev-1.

**Mortgagee** - an FHA approved mortgage loan holder or mortgage loan servicer.

**Mortgagee Neglect** – for a mortgage insured on or after January 1, 1977, the failure by a Mortgagee to inspect, or take reasonable action to preserve and protect a property securing an FHA insured mortgage, as required by 24 CFR 203.377. Reasonable action includes initiating foreclosure within the required time frame pursuant to 24 CFR 203.355(b).

**Name and Address Identifier (NAID)** – a number assigned to a Selling Broker or vendor by HUD that allows a Selling Broker or vendor to receive compensation from HUD as a result of services performed in the management or marketing of HUD-owned properties.

**Net Offer** – an amount used to determine the winning bidder on competitive sales and to calculate the marketing fee for sales under certain sales methods. Net Offer is calculated by subtracting the closing costs and brokers sales commission from the bid price. For discount sales, the amount of the sales discount is not subtracted from the bid price when calculating the Net Offer. For \$1 Home sales, the Net Offer equals \$1.

**Newly Assigned Property** - a property assigned to the Contractor that has not been previously assigned to a former M&M Contractor for management. These may be HUD-owned Properties or HUD-custodial properties.

**Non-Surchageable Damage** – damage to the property that is not the responsibility of the Mortgagee because it was not caused by mortgagee neglect, fire, flood, earthquake, tornado, or for condominiums, boiler explosions.

**Notice of Acquisition** – the notice provided to the Contractor that a property has been assigned to them. Generally, notice is conveyed through the Single Family Acquired Asset Management System (SAMS). However, in some cases notice is delivered by the GTR.

**Occupied-Conveyance** - a formal process, as described in 5.2.2, through which a Mortgagee receives permission to convey an occupied property to HUD. The term may also be used as a noun to refer to a property conveyed in this manner.

**Owner-Occupant** – as defined by HUD for the purposes of its disposition program, a State, governmental entity, tribe, or agency thereof; private nonprofit organization which has been pre-approved by HUD to participate in the FHA program or an individual purchaser who intends to use the property as his or her principal residence. Governmental entities include those with general governmental powers (e.g. a city or county), as well as those with limited or special powers (e.g., public housing agencies).

**Pass Through Expense** – an actual, out of pocket expense incurred and paid by the Contractor that is not deemed a Contractor's expense and which is listed in Section J-Attachment 8 as allowable pass-through expense.

**Performance Evaluation** - the GTR/GTM's record of the Contractor's performance under the contract.

**Performance Requirement** -the service level that separates acceptable performance from unacceptable performance of a task.

**Performance Requirements Summary (PRS)** - a listing of the performance requirements under the contract that the Government evaluates on a regular basis. Performance indicators, standards for these requirements, and surveillance methods will be used to determine if the Contractor meets performance standards.

**Performance Standard** - the Contractor's performance level required by the Government. This is also known as the Acceptable Quality Level (AQL).

**Principal Contracting Officer** – the HUD official responsible for providing coordination and insuring standardization related to crosscutting issues such as those that apply to, or affect, all geographic areas.

**Principal GTR** – the HUD employee who bears administrative responsibility to coordinate delivery of contract services by all GTRs and GTMs for all M&M contracts.

**Proposed Rule** - proposed changes to the regulations governing HUD policy as published in the Federal Register.

**Purchase Money Mortgage** – secretary-held mortgages originated and serviced by HUD to finance the purchase of HUD-owned homes to qualified nonprofit organizations and agencies of government.

**Qualified Non Profit Organization** – a nonprofit housing provider that had been pre-approved by HUD to participate in certain FHA activities. Approval may include eligibility to purchase HUD-owned properties, obtain an FHA insured mortgage or both. Qualified nonprofit organizations are listed on the FHA Nonprofit Organization Roster at ([http://www.hud.gov/offices/hsg/sfh/np/np\\_hoc.cfm](http://www.hud.gov/offices/hsg/sfh/np/np_hoc.cfm)).

**Quality Assurance** - actions by the GTR/GTM and Contracting Officer to ensure that products or services provided by the Contractor are within the acceptable quality level for a given performance requirement.

**Quality Control** - actions taken by the Contractor to control the production of supplies and services to ensure that they conform to the performance requirements and standards. Quality control procedures are outlined in the Quality Control Plan (QCP) developed by the Contractor.

**Random Sampling** - a quality verification selection method wherein each object in a group has an equal chance of being selected for quality assurance surveillance.

**Real Estate Owned (REO)** – an industry term used to describe properties acquired through foreclosure of a mortgage note. Single-family properties owned by HUD may be referred to as HUD REO.

**Reconveyance** - the process of returning a property to a Mortgagee by recording a deed in Mortgagee's name and seeking reimbursement for claims paid plus expenses.

**Revitalization Area** – an area that has been designated by HUD as exhibiting some or all of the following characteristics: a high concentration of HUD homes, low income or low homeownership rates or any other criteria HUD designates. HUD homes within revitalization areas are eligible for discounted sales to certain purchasers.

**Revitalization Area Locator (RAL)** - a web-based geo-mapping tool that is HUD's official source for determining whether a property is located in a revitalization area.

**Rework** - corrective action taken, or to be taken by the Contractor at its own expense and at no additional cost to the Government to rectify defects identified either by the Government GTR or by the Contractor.

**Secretary-Held Properties** – borrower owned properties that are the security for mortgage loans held and serviced by HUD either through assignment or origination. Vacant or abandoned secretary-held properties will become Custodial Properties.

**Secured Properties** – a property where all windows, doors and openings are locked, boarded (where authorized), or otherwise secured to prevent unauthorized entrance by person or animal into any portion of the dwelling, including exterior entrances to crawl spaces, and any other structures on the property, e.g. garages and sheds.

**Selling Broker** - a real estate broker acting for or on behalf of a prospective purchaser of a property to complete the purchase of a HUD-home.

**Special Property Inspections** – quality assurance inspections of HUD properties performed by HUD contract inspectors.

**Subcontractor** - a person or entity that enters into an oral or written contract or agreement with the Contractor to perform services, including a listing broker used by the Contractor to list HUD-owned properties.

**Surchargeable Damage** – damage to the property (1) by fire, flood, earthquake, hurricane, tornado, or, for condominiums, boiler explosion; or (2) for mortgages insured on or after January 1, 1977, damage caused by a Mortgagee's failure, as required by 24 CFR 203.377, to inspect or take reasonable action to preserve and protect vacant or abandoned properties.

**Targeted Sampling** - use of risk based factors rather than random sampling to select properties, files or other subjects for quality assurance or quality control review.

**Transition Period** – a period of time following contract award when a new Contractor develops the infrastructure necessary to perform contractual responsibilities and when those contractual responsibilities are transferred from a Former Contractor to a new Contractor.

**Utilities** - gas, electricity and water/sewer services.

### 2.1.3. Acquisition Types

The vast majority of acquired properties are conveyed to HUD by a Servicing Lender (Mortgagee) following foreclosure of an FHA insured mortgage and the filing of a claim for insurance benefits. However, HUD also acquires properties from a variety of other sources. The type of acquisition may impact the method by which the Contractor is informed of the new assignment and the scope of services required. A listing of possible acquisition sources follows. For minimum/maximum ordering quantities see Section B.3.

**Conveyance Foreclosures** - properties conveyed to HUD by a Mortgagee following foreclosure, or deed-in-lieu of foreclosure of an FHA insured mortgage, and the filing of a claim for insurance benefits.

**Custodial Properties** - properties secured by a Secretary-Held mortgage or HECM, which are in default and upon inspection by HUD's servicing Contractor determined to be vacant or abandoned. Title is not yet in HUD's name. Upon receipt of notification from the GTR, the Contractor shall take possession to protect and preserve the property until title is acquired. Custodial properties are not marketable until foreclosure is completed and title is vested in the Secretary of HUD. These properties will be assigned by the GTR. Mortgagee compliance tasks are not required for these properties.

**Foreclosed Secretary Held Mortgages (SHMs)** - properties acquired as the result of the foreclosure of a mortgage serviced by HUD including assigned and purchase money mortgages. These properties will be assigned by the GTR. Mortgagee compliance tasks are not required for these properties.

**Home Equity Conversion Mortgages (HECM)** - a property acquired as the result of foreclosure of a reverse mortgage insured by FHA. These properties will be assigned by the GTR and will not be in SFIS. Mortgagee compliance tasks are not required for these properties.

**Legal Settlement** - properties that are not FHA-insured but were acquired as a result of a lawsuit or for other reasons such as to accommodate another Federal agency. These properties will be assigned by the GTR.

**Repurchases/ Buy Backs** – properties repurchased by HUD to resolve a post sale claim by the purchaser of a HUD Home in accordance with 5.4.4.5. The HUD GTR must approve all repurchase requests. Mortgagee compliance tasks are not required for these properties.

**184s** – properties on Indian or tribal lands acquired as a result of foreclosure of a loan guaranteed by HUD's Office of Native American Programs under the Section 184, Loan Guarantee for Indian Housing Program of the Housing and Community Development Act of 1992. These acquisitions may be lease-holds and have tribal specific resale restrictions. Mortgagee compliance tasks are not required for these properties.

**312s** - properties acquired as a result of foreclosure of a HUD Community Planning and Development's Rehabilitation Mortgage. Notification of acquisition is provided by memorandum from the current servicer through the GTR. Mortgagee compliance tasks are not required for these properties.

### **C-3. GOVERNMENT PROVIDED GOODS AND SERVICES**

HUD will provide the following goods and services to the Contractor to facilitate performance under this PWS:

- **Systems Access Authorization** – Subject to any necessary security clearances, HUD shall grant the Contractor authorization to access the HUD information systems, described in 5.1.2 including the Single Family Insurance System (SFIS), Single Family Acquired Asset Management System (SAMS) and FHA Connection.
- **Training** – During the Transition Period, HUD will provide training in Policy and Process and Systems Usage as described in 5.5.1.1.6. There will be no cost for the training except that the Contractor will be responsible for travel and lodging expenses incurred by its staff attending the training.
- **Applicable Documents** – Many of the applicable documents, handbooks, forms, user guides, and other policy documents referenced in this PWS are publicly available on the Internet at the sites identified in 5.7. However, at the post award conference, HUD will provide the following items to the Contractor:
  1. Administrative Remedies Report format
  2. Finger Print Chart
  3. Customer Satisfaction Survey
  4. Mortgagee non-compliance letter format
  5. Mold Release
  6. Property Condition Report disclosure language

### **C-4. CONTRACTOR PROVIDED GOODS AND SERVICES**

#### **4.1.1. GENERAL**

Except as otherwise expressly provided in this PWS, the Contractor shall provide everything required to perform the services under a contract based on this PWS. The Contractor is responsible for knowing what items to furnish without specific mention.

#### **4.1.2. CONTRACTOR EXPENSES**

All costs of performance under a contract based on this PWS are at the expense of the Contractor unless otherwise specifically identified as a pass-through expense in the contract and listed in Section J-Attachment 5. The Contracting Officer or GTR must approve any additional pass-through requirements prior to incurring the expense.

#### **4.1.3. INTERFACE EQUIPMENT AND SOFTWARE**

To provide capability for direct data entry into the SAMS system, the Contractor shall provide equipment that meets the following minimum requirements:

- **IBM-compatible personal computer (PC)** - with minimum specifications as follows:

CPU Type: *Minimum 450 Mhz Intel or equivalent processor*  
Operating System: *Windows 98*  
RAM Memory: *Minimum 64 MB*  
I/O Ports: *1 parallel, 1 serial*  
Drive Types: *Hard drive, one floppy disk drive and a CD ROM writer and reader to comply with 5.1.1.1.4. To download SAMS data, the hard drive configuration is required).*  
*Monitor Display Color – 15” minimum*

- **Hayes-compatible modem** - The modem may be either internal or external for use in connecting the end user PC to the SAMS host computer. A modem that supports MNP Class 4 Protocol is recommended to detect the correct errors from local telecommunications line noise and other line disruptions. – Protocol Baud Rate: 33K Minimum.

- **An attached printer**

File Type: Printer must be capable of printing standard ASCII (DOS) files. A Laser Printer is required.  
Print Type: 132-character print line is required.  
Capability: Printer must be capable of printing text reports ranging from 1 to 50 pages.

Each site will require a Pentium class processor to act as a DEPCON file server for a Laser Printer.

- **Personal computer software** – Electronic mail or other acceptable method to enable direct PC to PC communication with HUD and/or Mortgages.
- **Telefax machine** - The Contractor must have a machine separate from any computer telefax machine.
- **Internet Service is required. High speed internet service is recommended.**

## C-5. DESCRIPTION OF SERVICES

Though most tasks required under this PWS support one of the three objectives listed above in C-1.2, some tasks relate to all of the objectives and are listed below under the heading General Requirements. Whenever possible, the tasks under this PWS have been described as outcomes and the Contractor may determine the most efficient method for accomplishing the task. However, some tasks are prescribed in part by regulation and legislation and specific process steps have been identified.

### 5.1.GENERAL REQUIREMENTS

#### 5.1.1. Information Management

The Contractor shall meet the information management and information transfer requirements in this PWS. At a minimum the Contractor shall maintain a complete property file for each property as follows:

- 5.1.1.1. **Electronic Monitoring System (EMS)** - The Contractor shall lease or purchase, operate and maintain a secure, electronic, web-based system accessible to employees of the Contractor, HUD employees. A web based, Electronic Monitoring System (EMS), shall be established, operated, and maintained to assure that the system is reliably able to serve HUD's information needs under this PWS. The Contractor shall provide individuals designated by the GTR or CO, with security clearances and training, including any requested training materials, required to access the EMS. The web based system shall perform the following actions at a minimum:
  - 5.1.1.1.1. **Daily Posting of Records** - Display complete electronic records of actions taken for Mortgagee compliance and the management and marketing of a property in accordance with the requirements of Section J-Attachment 6. The EMS shall provide HUD the ability, on a daily basis, to monitor using Internet Explorer 5.5 and Netscape 4.7, the data entered by the Contractor.
  - 5.1.1.1.2. **Imaging** - Display electronic images of all property related documents and color photographs of properties no later than twenty-four (24) hours following receipt or creation by the Contractor.
  - 5.1.1.1.3. **Indexing** - Index information in a way that provides access to an individual property file or to information from all files based on document type or action performed. Individual property files shall be indexed by the following: FHA case number, street address, and any other unique identifier the Contractor deems appropriate. The minimum document types and actions that all files shall be indexed by are identified in Section J-Attachment 6. The Contractor shall index files by such other document types or actions the Contractor deems appropriate in order to promptly respond to queries by Mortgagees, mortgagors, occupants or HUD about the status of a mortgage insurance claim, request for occupied conveyance, maintenance request, or disposition.
  - 5.1.1.1.4. **Retention** - Retain historic data on line for a period of six (6) months following sale closing or other disposition and then on Compact Disk - Read-Only Memory (CD-ROM) with no copy protection. CD-ROMs containing archived files shall be delivered to the GTR each month no later than the date the files are not viewable on EMS. CD-ROMs shall be indexed

in the same format as the files on EMS. HUD will have unlimited rights to the data pursuant to the FAR 52.227-14.

- 5.1.1.2. **Physical File Maintenance and Retention** - The Contractor shall establish and maintain a physical property file that contains all documents and records that pertain to the acquired property, including but not limited to, inspection reports and property condition information; communications with Mortgagees; appraisals and other valuation information; all correspondence received and sent; listing, sale and closing documents; and accounting records. The Contractor shall adhere to all current HUD regulations and directives on file retention and storage requirements as described in Section D, and Handbook 2225.6 Rev.1 Chg 52, HUD Records Disposition Schedules, Appendix 7, "Records Relating to Property Disposition", or subsequent policy directive. The actual cost of shipping files for record retention, or at the termination of the contract, when incurred in accordance with contract requirements, will be reimbursed as a pass-through expense without prior GTR approval.
- 5.1.1.3. **Delivery of Files Upon Request** – Unless otherwise specified, the Contractor shall, no later than five (5) calendar days from receipt of a written request from the Contracting Officer or GTR, deliver to HUD complete, accurate, legible, and accessible copies of the requested electronic or physical files.
- 5.1.1.4. **Date Stamps** – The Contractor shall date stamp all incoming correspondence with the date the document was received in the Contractor's office.
- 5.1.1.5. **Information Security** - Neither the Contractor nor any of its employees or affiliates shall disclose or cause to be disseminated any information relating to the services hereunder to any person not entitled to receive it. Failure to safeguard any sensitive information that may come to the Contractor or any person under his/her control in connection with work under this PWS, may subject the Contractor or its agents or employees to criminal liability or termination for default.

## 5.1.2. Information Systems

- 5.1.2.1. **Single Family Insurance System (SFIS)** – The Single Family Insurance System (SFIS) is HUD's primary system of record for insurance and claim payment status of all FHA insured single family loans. Upon notification of an acquisition resulting from an insurance claim, the Contractor shall access SFIS to verify that the loan was insured and should be conveyed as described in 5.3.1. In addition, for those acquisitions that were the security for a FHA insured mortgage, the Contractor may need to access the system to verify a property address, Mortgagee name, address and telephone number, or to determine whether or not a claim has been paid.
- 5.1.2.2. **Single Family Acquired Asset Management System (SAMS)** – The Single Family Acquired Asset Management System (SAMS) is HUD's primary system of record for tracking and accounting for properties acquired by HUD following payment of a claim for insurance benefits. The Contractor shall input property related data into SAMS no later than two (2) business days following the date the information is obtained. Detailed instruction for SAMS data input and a listing of required data is located in the *SAMS User's Guide*. Contractors may access a PDF version of the *SAMS User's Guide* at, <http://www.hud.gov:80/offices/hsg/sfh/reo/sams/samsguide.cfm>.

- 5.1.2.3. **FHA Connection** - The FHA Connection is an Internet based system through which Mortgagees report the status of insured loans. Additionally, the FHA Connection allows HUD to post information of interest to Mortgagees, including but not limited to, a roster of FHA approved Appraisers. Prior to obtaining appraisals on a property, the Contractor shall access the FHA Connection to determine if the proposed appraiser is listed on the FHA roster. Only appraisers listed on the FHA roster may perform appraisals required herein.
- 5.1.2.4. **Access to HUD Information Systems** – Contractor employees (including subcontractors) who will need to have access to HUD information systems (e.g. SAMS) must undergo a background investigation. See Clause HUDAR 2452.239-70.
- 5.1.2.5. **Security Access** – Due to the sensitivity of property and vendor profile data, access to SAMS and/or other HUD systems shall be limited to individuals based upon their specific duties and the security of the system. As a condition of obtaining access, Contractor employees requiring access to SAMS and/or other HUD systems shall submit to the GTR an original and one copy of completed Standard Form 85P, Questionnaire for Public Trust Positions, Optional Form 306 and 21-D258 Finger Print Chart. Contractor staff may be required to provide other background information as deemed appropriate for the requested security access level. HUD may grant, deny, or revoke an individual’s access rights to a HUD system based upon the results of the security background check of the individual. The Contractor shall provide written notification to the GTR no later than one (1) business day of termination or resignation of any employee granted HUD systems access or when there is no longer a need for access to HUD systems by any Contractor employee. The Contractor shall maintain an up-to-date list that identifies contract employees with access to each of the information systems described in 5.1.2 and the justification for each employee’s level of access. The Contractor shall not provide access to individuals until HUD provides written authorization.
- 5.1.2.6. **Systems Security Administrator** - The Contractor shall designate a Systems Security Administrator (SSA) no later than ten (10) days of the effective date of the contract and provide this information to the GTR within this timeframe. The Administrator shall use forms provided by HUD to initiate requests for user access to SAMS and/or other HUD systems and to request access modifications and deletions. The SSA shall certify that all staff have received instruction in system security issues, are familiar with the contents of the current version of HUD Handbook 2400.24 Rev. 2, Information Security Program, and have completed the HUD’s Computer Based Training program.

### **5.1.3. Office Facilities**

The Contractor shall maintain a fully staffed and equipped office in each geographic contract area in which the Contractor is awarded a contract (Contract Area Office). The Contractor must provide the customer service requirements found in 5.1.4, and the SAMS data processing requirements found in 5.1.2.2 in the Contract Area Office. The Contractor shall maintain the physical property file referenced in 5.1.1.2. in the Contract Area Office. The Contractor's management employees must be located in the Contract Area Office of the contract they are managing. A full service office includes performing all of the marketing and sales, closings, customer service, property management, SAMS data input, maintenance of the physical files, and having the management employees physically located there with full direct authority over all critical operations of the work required.

#### 5.1.4. Customer Service

The Contractor shall ensure that all contacts with the public and HUD employees promote HUD's objectives under this PWS, encourage participation by industry professionals and potential purchasers and result in a high level of customer satisfaction. Customers for the purpose of this PWS include: prospective and actual purchasers of HUD properties, nonprofit organizations, government entities, real estate brokers and agents, Mortgagees and HUD employees. Customer service includes, but is not limited to, answering questions; resolving complaints; providing property information and status; referring customers to appropriate service agencies; assisting Officer/Teacher Next Door participants, providing copies of property related documents in a prompt, professional and courteous manner and ensuring that purchasers and Selling Brokers are satisfied with the home buying experience as evidenced by their responses to voluntary Customer Satisfaction Surveys. A copy of the Survey will be provided by the GTR at the post award conference. HUD may change the text and format of the survey or expand the target audience and shall notify the Contractor of all changes.

- 5.1.4.1. **Business Hours** – The Contractor shall be open for business during normal business hours (generally eight (8) am to five (5) pm) in the entire geographic area covered by any contract based on this PWS and during normal business hours at the HOC(s) with jurisdiction over each contract.
- 5.1.4.2. **After Business Hours** – The Contractor shall be available to respond to and resolve property related emergencies (situations that pose an imminent threat to health or safety) after regular business hours. The Contractor shall maintain and monitor a phone number and an e-mail address that are available twenty-four (24) hours a day, seven (7) days per week, including recognized Federal holidays.
- 5.1.4.3. **Toll Free Phone Number** – The Contractor shall maintain a toll free telephone number available for use by HUD employees and customers.
- 5.1.4.4. **Response Time** - The Contractor shall provide prompt, courteous and accurate response to all inquiries regarding both individual properties and the disposition program in general. The Contractor shall respond to telephone inquiries no later than one (1) business day of the date the call was placed to the Contractor's office or the expiration of such shorter or longer period of time expressly authorized or required by this PWS. The Contractor shall respond to written and electronic inquiries no later than two (2) business days following receipt of the inquiry or the expiration of such shorter or longer period of time expressly authorized or required by this PWS.
- 5.1.4.5. **Communications Log** - The Contractor shall maintain a copy of all written correspondence and maintain an electronic log listing the source, subject, date received, response and resolution date of each written, email or telephonic communication received. The Communications Log shall be updated daily and available on EMS.
- 5.1.4.6. **Freedom Of Information Act** – The Contractor shall be familiar with the Freedom of Information Act (FOIA) (Title 5 U.S.C. Section 552) and the Privacy Act (5 U.S.C. § 552a) and shall assist HUD in responding to requests for information. The Contractor shall forward all requests for information that are subject to FOIA or the Privacy Act to the FOIA Officer in the HOC. In the case of a FOIA request that involves costs to the requestor, the Contractor shall provide a cost breakdown to the GTR.

- 5.1.4.7. **Governmental Inquiries** – The Contractor shall notify the GTR within twenty-four (24) hours following receipt of any request for information from an elected or public official and shall, no later than two (2) business days of said request, provide written information to assist HUD in preparing a response.
- 5.1.4.8. **Other Correspondence** - The Contractor shall provide written information to the GTR or other designated HUD representative no later than five (5) business days of HUD's request for information required to respond to correspondence related to the management or marketing of HUD owned properties.
- 5.1.4.9. **Litigation** – The Contractor shall not represent that it is authorized to accept service of process on behalf of HUD. However, if the Contractor receives any pleading naming HUD as a party, the Contractor shall provide the GTR or other designated HUD representative with a copy of such pleading no later than one (1) business day after receipt of the pleading.

**5.1.5. Community Outreach**

The Contractor or its Subcontractors shall attend any community, local/state government, or taxing authority meetings relative to the management and sale of HUD properties. The Contractor shall implement training programs to ensure that all brokers, qualified nonprofit organizations and government entities within the contract area that wish to represent buyers and/or participate in the purchase of HUD homes are able to do so. In conducting its outreach efforts, neither the Contractor nor its Subcontractors shall make any representation that they are employees or agents of the Federal Government.

**5.1.6. Limited Powers of Attorney**

No later than ten (10) calendar days after the effective date of the contract and annually thereafter, the Contractor shall prepare Limited Powers of Attorney (LPOA) as necessary to perform the contract. The Contractor shall prepare and record revocations of any recorded, unexpired LPOA's no later than the date the Contractor is no longer responsible for performing contract services covered by the LPOA. The Contractor's responsibilities concerning the LPOA shall include determining which units of local government within the Contractor's service area require an original LPOA (or revocation); completing and submitting the appropriate number of LPOA (or revocation) documents to the GTR for execution; recording the duly executed documents with each required unit of local government; forwarding documentation to the GTR which confirms the LPOA (or revocation) has been filed for recordation. Examples of acceptable documentation include a copy of the Limited Power of Attorney (or revocation) marked "filed for recordation" and/or receipt from the Recorder's Office evidencing the filing of the document. The LPOA(s) shall name specific individuals authorized to perform stated tasks. Authorities authorized under an LPOA may not be redelegated to others not named.

The Department is considering replacing LPOA's with the delegation of authority to the contractor via a Federal Register notice. If this change is implemented, the contractor will not be required to prepare LPOAs and the contract will be modified accordingly.

**5.1.7. Quality Control**

The Contractor shall be responsible for the quality of all work under this PWS.

5.1.7.1. **Quality Control Plan** –The Contractor shall develop, maintain, and implement a comprehensive Quality Control (QC) Plan consistent with the Preliminary Quality Control Plan submitted during the bid process. The Contractor’s quality control program shall ensure that all aspects of this PWS, in accordance with the performance standards listed herein, are performed completely and appropriately, and shall contain a plan for corrective action when deficiencies or insufficient performance are identified. As provided in 5.5.1.1.2 and 5.5.1.2.1, the Contractor shall provide the Quality Control Plan for review and acceptance. Changes to the QC Plan must be accepted in writing by the GTR in advance of implementation.

5.1.7.2. **Quality Control Reviews** - The Contractor shall conduct regular quality control reviews in accordance with its QC plan and, no later than the tenth (10) calendar day of each month, provide the GTR with a monthly report summarizing the results of its QC actions and findings.

5.1.7.3. **Quality Assurance Reviews** - When defective performance is noted through HUD’s quality assurance activities, HUD may request that the Contractor correct the defective performance. The Contractor shall, no later than five (5) business days following receipt of HUD’s notice of defective performance, respond in writing to this request, describing the corrective actions taken, or to be taken, and when any outstanding corrective actions shall be completed. If corrective action is not possible, HUD reserves the right to take other remedies permitted by the contract.

#### **5.1.8. Compliance with Legislative, Regulatory and Policy Requirements**

The Contractor shall comply with all Federal, state or local laws or regulations pertaining to the activities described in this PWS. When local laws and regulations conflict with HUD requirements, the Contractor shall notify the GTR and the Contracting Officer.

#### **5.1.9. HUD’s Approval and Acceptance Rights**

5.1.9.1. **Written Approval** – Where, pursuant to this PWS, the approval, consent or authorization of the GTR or CO is required for any matter or thing, such approval, consent or authorization must be in writing, unless otherwise stated in this PWS. Unless the PWS specifically authorizes oral communications, the Contractor acknowledges that oral communications do not constitute approval, consent or authorization and if it proceeds without written approval, consent or authorization, it accepts the risk of proceeding.

5.1.9.2. **Effect of Approval** - Notwithstanding the rights of approval and acceptance reserved to HUD, the Contractor shall be solely and primarily responsible for the performance of every requirement in this PWS. Neither the reservation nor the exercise of HUD’s approval or acceptance rights shall be deemed to relieve the Contractor from its responsibility, or to create any liability by HUD to the Contractor or third parties, with respect to the performance of the PWS requirements.

#### **5.1.10. Contingency Plan**

The Contractor shall develop, maintain and implement, a Contingency Plan that addresses the gravest as well as the most likely problems that might arise and the Contractor’s planned response to the adverse events. At a minimum, the plan shall cover: Subcontractor default; response to serious natural disaster as it affects properties; recovery from serious natural disaster as it affects the Contractor’s operation; employee strike; and civil disorder. The Contractor shall provide the GTR and Contracting Officer with a copy of the Contingency Plan no later than the Post Award

Conference. As provided in 5.5.1.1.2 and 5.5.1.2.1, the Contractor shall provide the Contingency Plan to the GTR and Contracting Officer for review and acceptance. If an event covered by the Contractor's contingency plan occurs, the Contractor shall promptly initiate, within any applicable time periods in the plan and this PWS, and diligently conduct the responses outlined in the plan. Changes to the Contingency Plan must be accepted in writing by the GTR in advance of implementation.

#### **5.1.11. Lien Releases**

The Contractor shall not, in connection with any work done or claimed to have been done by or on behalf of the Contractor, create, place, permit to be created or placed, or allow to remain any mechanic's, laborer's, or materialman's lien (collectively, a mechanic's lien) against any property. If a mechanic's lien is filed, within ten (10) business days of such filing or such shorter time period necessary to meet any scheduled closing on a property, the Contractor shall cause the mechanic's lien to be discharged of record by payment, deposit, bond, order of court, or otherwise.

The Contractor shall implement procedures, as described in its QC Plan, to minimize the opportunity for a property to become subject to a mechanic's lien and to promptly cause any mechanic's liens to be discharged of record. At a minimum, the Contractor shall include in its QC Plan the following procedures to minimize the opportunity for a property to become subject to a mechanic's lien: (1) incorporate an express provision in each subcontract for lienable work whereby the Subcontractor waives its rights to a mechanic's lien and agrees to not file a lien; (2) obtain waivers and releases of liens from Subcontractors who performed lienable work; and (3) adopt an early-warning system to identify when bills or claims which may become liens against a property are not promptly paid, settled, or compromised. If any of the QC procedures listed in the foregoing sentence are not permitted by law, the Contractor shall expressly state in its QC Plan the legal authority for the prohibition and the alternative procedures the Contractor shall employ to minimize the opportunity for a property to become subject to a mechanic's lien. It is the Contractor's responsibility to determine what is "lienable work" in each jurisdiction. For example, some jurisdictions may permit liens for professional services such as appraisals and inspections whereas other jurisdictions may not permit liens for such services. The QC Plan shall identify what is lienable work within each jurisdiction.

#### **5.1.12. Written Notice**

Except as otherwise provided herein, all references to delivery or receipt of written notice between the Contractor and HUD shall include notice delivered or received by electronic transmission. Except as otherwise provided herein, all references to delivery or receipt of written notice between the Contractor and Third Parties shall, subject to the listed exceptions, include notice delivered or received by electronic transmission. Requests for approvals on the following topics shall not be given by electronic transmission: approval of overallallowable preservation and protection costs, occupied conveyances, permission to convey with surchargeable damage, title approval, extensions of time limits or any other action the public must, pursuant to regulations, request approval from HUD. If HUD permits electronic transmissions between the Contractor and a Third Party other than HUD, the transmissions shall comply with any standards HUD issues and as described in 5.1.15, the Electronic Signatures in Global and National Commerce Act.

#### **5.1.13. Performance Bond and Payment Bond**

HUD is entrusting the Contractor with the care of valuable government property. Therefore, for the protection of the Federal Government and persons supplying labor or materials for the work under

this PWS, the Contractor shall furnish a performance bond and a payment bond, or the Contractor may furnish the alternatives to performance bond and payment bonds described in FAR 28.204. Examples of these alternatives include United States bonds or notes, certified or cashier's checks, bank drafts, money orders, currency, or irrevocable letter of credit. This bonding requirement and alternatives are more fully described in Section I.7.

#### **5.1.14. Conflicts of Interest**

- 5.1.14.1. **General Rule** - The Contractor shall not engage in or permit any conflict of interest. In addition to any other conflicts of interest prohibited under applicable law, each of the following situations shall constitute a conflict of interest.
- 5.1.14.1.1. **Appraisals and BPOs** – The Contractor obtains appraisals or broker price opinions (BPOs) from itself, its Management Officials, Immediate Family members of its Management Officials, or its Affiliated Entities.
  - 5.1.14.1.2. **Appraisal and BPO Reviews** – The Contractor obtains the services of an Entity to review an appraisal or BPO when such Entity is an Affiliated Entity of the Entity that prepared the appraisal or BPO being reviewed.
  - 5.1.14.1.3. **Brokers** - Subject to the exceptions in 5.1.14.2.1, the Contractor, Subcontractor, a Management Official of the Contractor or Subcontractor, an Immediate Family member of a Management Official of the Contractor or Subcontractor, or an Affiliated Entity of the Contractor or Subcontractor (a) represents the buyer of a HUD-Owned Property, (b) receives any portion of the broker's sales commission (including any authorized Selling Broker bonuses or incentives) paid by HUD upon the sale of a HUD-Owned Property, or (c) receives any form of payment, income, revenue, compensation, or anything else of value from the broker who procures a buyer who actually closes on the purchase of a HUD-Owned Property;
  - 5.1.14.1.4. **Excluded Purchasers and Lessors** - Subject to the exceptions in 5.1.14.2.2, the Contractor, Subcontractor, a Management Official of the Contractor or Subcontractor, an Immediate Family member of a Management Official of the Contractor or Subcontractor, an Affiliated Entity of the Contractor or Subcontractor, and any other Entity under contract with HUD who prepared reports used as the basis for the List Price or acceptance of a bid, or a HUD employee or person related to a HUD employee by blood, law, or marriage purchases or leases a HUD-Owned Property.
  - 5.1.14.1.5. **Pass-Through** – The Contractor obtains from an Affiliated Entity of the Contractor a service for which pass-through reimbursement may be made.
  - 5.1.14.1.6. **Kick-backs, Rebates, Referral Fees** – The Contractor, a Management Official of the Contractor, an Immediate Family member of a Management Official of the Contractor, or an Affiliated Entity of the Contractor directly or indirectly receives any form of payment, income, revenue, compensation, or anything else of value from any person or entity, other than HUD or the Contractor, for performance of the Contractor's responsibilities under this PWS.

## 5.1.14.2. **Exceptions to General Rule**

5.1.14.2.1. **Listing Brokers** – The prohibition in 5.1.14.1.3 shall not prohibit a listing broker who is a Subcontractor, Management Official of a Subcontractor, Immediate Family member of a Management Official of a Subcontractor, or Affiliated Entity of a Subcontractor, from receiving any portion of the broker’s sales commission (including any authorized Selling Broker bonuses or incentives) if (a) the listing broker is representing a purchaser in a dual agency capacity where permitted under State and/or local law and agreed to in writing by the purchaser; and (b) the listing broker is not a Management Official of the Contractor, Immediate Family member of a Management Official of the Contractor, or Affiliated Entity of the Contractor.

5.1.14.2.2. **Excluded Purchasers** - The prohibition in 5.1.14.1.4 shall not prohibit a HUD employee or person related to a HUD employee by blood, law, or marriage from purchasing a HUD-Owned Property if (a) he has received prior written permission from HUD’s Director of Single Family Asset Management, Headquarters, to submit a bid; (b) his offering price meets or exceeds the List Price; and (c) the HUD-Owned Property has been listed for at least fifteen (15) consecutive days from the date the property was first listed under the Exclusive Listing Period. The prohibition in 5.1.14.1.4 shall not prohibit a tenant from purchasing a HUD-Owned Property under a right of first refusal if the tenant (a) is not the former mortgagor whose default led to HUD’s acquisition of the HUD-Owned Property in question; and (b) is, as to Contractor or Subcontractor, a Management Official or Affiliated Entity, or is an Immediate Family member of a Management Official of the Contractor or Subcontractor. The prohibition in 5.1.14.1.4 shall not prohibit an individual or entity from purchasing or leasing a property solely on the basis that the individual or entity is a listing broker except that that neither the listing broker nor any agent, salesperson or broker licensed under the listing broker may purchase or lease any HUD property listed by the listing broker.

5.1.14.3. **Notices** - The Contractor shall notify the GTR of any actual or suspected conflict of interest or the attempted purchase or lease by any Entity under contract with HUD who prepared reports used as the basis for the List Price or to accept a bid.

## 5.1.15. **Electronic Disclosures, Records, and Signatures**

With respect to Federal law, the Contractor shall comply with the Electronic Signatures in Global and National Commerce Act, 15 USC §§ 7001-7006, (ESIGN), including the requirements to, prior to electronically delivering information to a consumer, provide the consumer with certain disclosures and obtain the consumer’s consent to electronically receive information. The Contractor shall provide consumers with the option of requesting a paper copy of an electronic record and shall not charge any fee for such copy. The Contractor shall not use 15 USC § 7001(c)(3) to evade compliance with 15 USC § 7001(c)(1)(C)(ii). With respect to State law, the Contractor shall comply with ESIGN or, if a State has enacted a statute, regulation, or other rule of law preempting ESIGN pursuant to 15 USC § 7002, the State statute, regulation, or other rule of law governing the use or acceptance of electronic records or signatures. This section does not constitute consent by HUD to the use of electronic records as a substitute for paper records or the use of electronic signatures as a substitute for ink signatures.

**5.1.16. Annual Audit Requirement**

Annually, no later than ninety (90) calendar days before the expiration of each option year, the Contractor shall promptly furnish the GTR with audited year end financial statements (balance sheet also known as statement of financial position, statement of activity, statement of cash flow) for most recent two fiscal years prepared in accordance with generally accepted accounting principals and reporting practices. The audited financial statements must include an independent auditor’s report from a certified public accountant (CPA) which attests to the following: the audit was conducted in accordance to generally accepted auditing standards; that these standards require that the CPA plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement; and in the CPA’s opinion the financial statements present fairly in all material respects the financial position of the company, the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principals.

The Government will use this information to determine the Offeror's financial responsibility and ability to continue to perform under the contract. Failure of the Contractor to comply with this requirement will subject the Contractor to possible rejection on responsibility grounds.

**5.1.17. Prohibition on Use of Releases**

Unless authorized in Section C or unless the GTR grants the Contractor prior written approval, neither the Contractor nor its Subcontractors shall require, accept, or permit any agreement, which has the direct or indirect objective of exempting the Contractor or its Subcontractors from responsibility for any violation of common or statutory law, from a bidder (prospective or actual) on a HUD-owned property, purchaser of a HUD-owned property, or a real estate broker representing a bidder or purchaser of a HUD-owned property for any and all liability, loss, or damage the Contractor or its Subcontractors may suffer as a result of claims, demands, costs, or judgments arising out of any services performed by Contractor or its Subcontractors under this contract. An agreement that has the direct or indirect objective of exempting the Contractor or its Subcontractors from responsibility for any violation of common or statutory law includes an indemnity, release, covenant not to sue, discharge, and accord and satisfaction.

**5.1.18. General Requirements Performance Requirements Summary**

PWS PERFORMANCE REQUIREMENTS REFERENCE		PERFORMANCE MEASURE	QUALITY ASSURANCE PROCEDURE	FREQUENCY	MINIMUM SATISFACTORY RATING
5.1.4.4	The Contractor responds appropriately and timely to customer inquiries	Percentage of customer inquires that receive an appropriate response within 2 business days.	GTR sampling of the Contractor’s communications log on EMS	Monthly	90%
5.1.4	Purchasers and Selling Brokers express a high level of satisfaction with the HUD Homes sale process.	Percentage of respondents to a voluntary Customer Survey that report they are satisfied or very satisfied with their HUD Home sales experience.	Customer Survey to be administered by HUD or its Closing Agent Contractors.	Quarterly	85%

## 5.2. MORTGAGEE COMPLIANCE

When an FHA insured mortgage is in default, and as a condition of conveying the property to HUD following foreclosure or other acquisition, the Mortgagee is responsible for taking reasonable action to protect and preserve the insured property against potential damage and completing the foreclosure action or other acquisition method in a timely manner not to exceed the timeframes established by HUD. The Mortgagee is also responsible for providing notice to the occupants of certain post acquisition occupancy opportunities and delivering the property to HUD vacant (unless HUD consents to an occupied conveyance) and with evidence of good marketable title. The Contractor shall provide timely and accurate guidance to Mortgagees relative to the execution of these responsibilities. In performing the tasks required under this section the Contractor shall provide HUD with real-time access on EMS to all required reports, documents, inspections and information relative to Mortgagee compliance.

### 5.2.1. Preservation and Protection (P&P) Guidance

If the cost to perform required preservation and protection (P&P) exceeds any individual cost limit or the overall cap shown in Mortgagee Letters 2002-10, 2003-05 or any subsequent policy directive, the Mortgagee must request permission from the Contractor in writing to exceed the maximum allowable expense. HUD is considering a protocol for electronic receipt and approval of P&P overallowable requests and will notify the Contractor when and if electronic receipt becomes acceptable.

5.2.1.1. **Review** – No later than five (5) business days from receipt of a request from a Mortgagee for information or instruction relative to P&P requirements or approval of overallowable expenses, the Contractor shall review and approve or disapprove the request in accordance with, Mortgagee Letters 2002-10, 2003-05, HUD Notice 2002-20, or any subsequent policy directive. The Contractor shall evaluate all requests to increase line items on a case-by-case basis to determine if the increase is reasonable and justifiable. If the Contractor, based on an evaluation of the work to be performed and its own knowledge of normal and reasonable property maintenance expenses, believes that the expense is not justified, the Contractor may either request that the Mortgagee obtain additional independent bids or deny the over-allowable expense request in writing and provide an explanation to the Mortgagee including evidence of similar bids or past expenses for the same services that support the denial. Because Mortgagees often utilize national servicing companies to perform P&P, their costs may be nominally higher than the Contractor's own cost to perform similar services.

5.2.1.2. **Appeals** - If the Mortgagee disagrees with the Contractor's decision to deny an over allowable request, the Mortgagee will have ten (10) calendar days from the date of the denial, to submit an appeal to the Contractor. The Contractor shall, either accept the Mortgagee's appeal or forward the appeal request, including all supporting documentation, to the GTR no later than twenty-four (24) hours following receipt.

### 5.2.2. Occupied Conveyance

Prior to foreclosure, Mortgagees must notify occupants of property secured by an FHA-insured mortgage that HUD may acquire the property. The notification is given using the Notice of Pending Acquisition, attached as Appendix 1 of HUD Handbook 4310.5, Rev-2, to occupants of property secured by an FHA insured mortgage. This Notice describes the limited circumstances under which the occupant may continue to occupy the property following foreclosure and conveyance to HUD, and the process for making an occupied conveyance request.

- 5.2.2.1 **Compliance Monitoring** – Mortgagees must send the Notice of Pending Acquisition at least 60 days, but no more than 90 days, before title is acquired after the redemption period. Mortgagees must send a copy of the Notice of Pending Acquisition to the Contractor on the same day it is sent to occupants. Mortgagees must also inform the Contractor of the approximate foreclosure sale date and the expiration date of the redemption period, if any. The Contractor shall monitor Mortgagee compliance with the notification requirement by reviewing information submitted by the Mortgagee for the foreclosure sale date and redemption period expiration date. Premature notices must be returned to Mortgagees with instructions to resend the Notice of Pending Acquisition sixty (60) to ninety (90) days before title is acquired after the redemption period. The Contractor shall note a Mortgagee’s failure to perform this requirement on the Administrative Remedies Report described in 5.2.7.
- 5.2.2.2 **Processing Requests for Continued Occupancy** – The Contractor shall process all requests from occupants for consideration of occupied conveyance in accordance with 24 CFR 203.670 through 203.681 and HUD Handbook 4310.5, Rev -2, Chapter 2 or subsequent policy guidance. The Contractor shall evaluate those requests based on the regulatory requirements, perform inspections to determine whether the property is habitable or contains lead-based paint hazards or evidence a hazardous substance was stored for one year or more or known to have been released, or disposed of at the property as further described in 5.3.8.8. The Contractor shall deny those requests that do not meet the regulatory requirements for occupied conveyance and obtain approval of the GTR to grant occupied conveyance or otherwise permit continued occupancy in those cases where occupied conveyance is in the best interest of HUD as defined in the regulations. However, the Contractor shall not recommend occupied conveyance of properties containing lead-based paint hazards that are occupied by children under the age of seven (7) or occupied conveyance of any property with evidence of hazardous substances as described above. The Contractor shall concurrently notify the occupant and the Mortgagee of the result of all occupied conveyance requests.
- 5.2.2.3 **Appeals of Preliminary Denial** – If occupied conveyance is denied, pursuant to 24 CFR 203.677, occupants may either request an informal conference with the Contractor or appeal the decision in writing, or both. Requests for an informal conference with a representative of the Contractor must be made in writing within ten (10) days after the date of the denial notice. Written appeals must be received by the Contractor within twenty (20) days after the date of the denial notice. If an occupant or its representative requests an opportunity to review relevant material that formed the basis for a denial, the Contractor shall make the material available for review and provide, at no cost and upon request, a copy of the material. A Management Official of the Contractor shall make the final decision on an appeal except that approvals of occupied conveyance must be approved by the GTR. No Management Official who engaged in any function related to the issuance of the preliminary denial shall participate in, advise in, or make the final decision except to present evidence of the rationale behind the preliminary denial. The Management Official who makes the final decision must be a supervisor at least one level above the Management Official who made the preliminary denial. After due consideration of the appeal, the Contractor shall send a final notice of determination to the occupant and the Mortgagee.

5.2.2.4 **Properties Conveyed Occupied without Approval** – If a Mortgagee conveys a property occupied without prior approval or contrary to regulatory requirements, the Contractor shall first determine if the occupant is an adverse occupant.

5.2.2.4.1 **Adverse Occupants** - If the Contractor determines the occupant is an adverse occupant, then the Contractor shall notify the GTR and obtain authorization to either reconvey in accordance with 5.2.7.2, or to evict in accordance with 5.3.15. If the GTR approves a reconveyance, the Contractor shall instruct the Mortgagee to vacate the property as required in 24 CFR 203.678 prior to conveying the property to HUD.

5.2.2.4.2 **Non-Adverse Occupants** - If the Contractor determines the occupant is not an adverse occupant, the Contractor shall determine if the Mortgagee provided the occupant with the required Notice of Pending Acquisition.

5.2.2.4.3 **Notice Provided** - If the Mortgagee did provide the Notice of Pending Acquisition and the occupied conveyance was denied, the Contractor shall request GTR approval to reconvey in accordance with 5.2.7.2. If the GTR approves a reconveyance, the Contractor shall instruct the Mortgagee to vacate the property as required in 24 CFR 203.678 prior to conveying the property to HUD. If the GTR does not approve reconveyance of the occupied property, the Contractor shall initiate an eviction in accordance with 5.3.15.

5.2.2.4.3.1 **Notice Not Provided** - If the Mortgagee failed to provide the Notice of Pending Acquisition, the Contractor shall request GTR approval to reconvey in accordance with 5.2.7.2. If the GTR approves a reconveyance, the Contractor shall instruct the Mortgagee to provide the occupant with a modified version of the Notice of Pending Acquisition as required in 24 CFR 203.675, providing the occupant with an opportunity to request continued occupancy. If the GTR does not approve reconveyance of the occupied property, the Contractor shall be required to provide the occupants with a modified version of the Notice of Pending Acquisition. If an occupant requests continued occupancy within twenty (20) days after the date the Contractor mailed its modified Notice of Pending Acquisition, the Contractor shall process the request based upon the eligibility requirements in 24 CFR 203.670 through 203.681 and Chapter 2 of HUD Handbook 4310.5, Rev-2. If continued occupancy is approved by the GTR, the Contractor shall enter into a rental agreement in accordance with 5.3.11. If continued occupancy is denied, the Contractor shall initiate an eviction in accordance with 5.3.15.

### 5.2.3. **Requests to Convey Property With Surchargeable Damage**

Properties conveyed to HUD may not be damaged by Mortgagee Neglect, fire, flood, earthquake, tornado, hurricane, or for condominiums, by boiler explosion, (collectively, Surchargeable Damage). Prior to conveyance of a property with Surchargeable Damage, Mortgagees must either repair damages resulting from these conditions or obtain prior written permission from HUD to convey the property by sending a written request to the Contractor identifying the extent and cause of the damage, the cost of repair and the amount of any insurance proceeds received or pending (24 CFR 203.378 and 24 CFR 203.379). The Contractor shall review and respond in writing to the request to convey damaged property no later than ten (10) calendar days following receipt. In making a recommendation to accept or reject damaged property, the Contractor shall evaluate the best financial interest of HUD by considering such factors as: (1) the extent of repairs, (2) the difficulty

in selling the property in its damaged condition and (3) the potential impact on HUD's net return if the repairs are made.

- 5.2.3.1. **Surchargeable Damage Less Than \$2,500** – When the government's repair estimate for surchargeable damage is equal to or less than \$2,500, the Contractor shall, without the need for further authorization from HUD, notify the Mortgagee of HUD's acceptance of the damaged property and the amount that must be deducted from the Mortgagee's claim, which shall be the greater of the government's estimate of the cost of repair or any insurance recovery received or to be received by the Mortgagee. Upon receipt of the notification of the government's estimate of the cost of repair, the Mortgagee may, at its discretion, elect to elect to revoke its damaged conveyance request and repair the property prior to conveyance.
- 5.2.3.2. **Mortgagee To Repair** – If the repair estimate for surchargeable damage exceeds \$2,500 and based on its inspection the Contractor determines that it is not in the best financial interest of HUD to accept the damaged property (or the Mortgagee elects to complete repairs as described in 5.2.3.1), the Contractor shall notify the Mortgagee in writing of the repairs that need to be completed at the Mortgagee's expense, prior to conveyance and may, in accordance with 5.2.6, grant an extension of the time to convey. Following completion of repairs, the Mortgagee may request an inspection of the repaired property. Upon receipt of such a request, the Contractor shall inspect the property and, if appropriate, acknowledge in writing that the damage has been corrected and the claim will not be offset by the cost of the repairs.
- 5.2.3.3. **Convey With Surchargeable Damage** – If the repair estimate for surchargeable damage exceeds \$2,500 and based on its inspection the Contractor determines that it is in the best interest of HUD to accept the damaged property, the Contractor shall estimate the cost of the repairs and obtain written authorization from the GTR to accept the damaged property. Upon receipt of GTR approval, the Contractor shall notify the Mortgagee in writing that it must deduct from the mortgage insurance claim, the greater of the estimate of the cost of the repairs or any insurance recovery received, or to be received, by the Mortgagee. Upon receipt of the notification of the Secretary's estimate of the cost of repair, the Mortgagee may, at its discretion, elect to revoke its damaged conveyance request and repair the property prior to conveyance.

#### 5.2.4. **Claim Reviews**

Concurrent with conveyance of a property to HUD, Mortgagees must file a Single Family Application for Insurance Benefits Form HUD-27011, Part A. Following approval of title evidence as described in 5.2.5, Mortgagees may file a Single Family Application for Insurance Benefits Form HUD-27011 Parts B, C, D and E. The Contractor shall review all claim applications submitted by the Mortgagee for compliance with HUD's pre-conveyance requirements described in Mortgagee Letters 2002-10 and 2003-05 and communicate all discrepancies in writing to the Mortgagee and the GTR no later than thirty (30) calendar days following receipt of the claim application or such earlier time period required below. The Contractor's review of the various parts of HUD Form-27011 shall ensure that this form was completed in accordance with the instructions in paragraph 2-23 of HUD Handbook 4330.4 Rev-1 Chg.-1. All references in 5.2.4 to item numbers are to the Form HUD - 27011.

- 5.2.4.1. **Part A Claims** – On the date the deed is filed for record or mailed to the recording authority, Mortgagees must send a paper copy of the HUD-27011, Part A and any required supporting documentation to the Contractor. If the Contractor learns by any means (for example, by receipt

of at tax bill) that a deed to HUD is filed for record or mailed to the recording authority for the property and the 27011 is not received, or if required supporting documentation is not included, the Contractor shall first follow the instructions provided in paragraph 5.3.1.1 for verification of proper acquisition. If the property was conveyed properly, the Contractor shall contact the Mortgagee and request a copy of the Part A Claim. The Contractor shall review Part A of the claim for the Mortgagee's claimed status of occupancy, damage and payment of property taxes. The Contractor shall compare the information provided by the Mortgagee on the Part A claim to the results of the initial property inspection as required in paragraph 5.3.1.2, appraisal data or other information known to the Contractor about the condition and maintenance history of the property in accordance with HUD Handbook 4330.4, Rev-1 Chg.1, paragraph 2-23 A, Housing Notice 2002-20 and any subsequent policy directive.

- 5.2.4.1.1. **Occupancy** – Properties must be vacant at time of conveyance unless approved for occupied conveyance, Addendum 5, paragraph 1. Item 22, “Is the property vacant?” should be marked "yes" unless the Contractor approved an occupied conveyance in accordance with paragraph 5.2.2 and the date of the approval is entered into item 23. If the Contractor's inspection determines that the property was conveyed occupied without prior permission from HUD, the Contractor shall follow the procedures in 5.2.2.4.
- 5.2.4.1.2. **Property Damage** – Item 24, “Is property conveyed damaged?” should be marked "no" unless the date of the approval for damaged conveyance is entered into item 25(a), the date of the Mortgagee certification letter attached to Part A is entered into item 25(b), or the Mortgagee has included an explanation of non-surchargeable damage as described in 5.2.4.1.2.4.
- 5.2.4.1.2.1. **Surchargeable Damage Conveyance Approved** - If Item 24 is marked "yes", and conveyance with surchargeable damage was approved, the Contractor shall check Item 25(a) to ensure that the correct approval date was entered into Item 25(a), check Item 27 “Recovery or Estimate of Damage” to ensure that a correct damage amount has been entered and compare the extent of the damage claimed by the Mortgagee with the information learned from the initial inspection to ensure that the extent of the damage is not greater than claimed in the request to convey damaged.
- 5.2.4.1.2.2. **Surchargeable Damage Conveyance not Approved** – If a property is conveyed with surchargeable damage without prior approval, the Contractor shall immediately notify the GTR in writing and recommend either reconveyance or a reduction in claim benefits. The GTR will either approve a reconveyance action or instruct the Contractor to notify the Mortgagee, in writing to reduce its claim Parts B and C by the greater of any insurance recovery received, or to be received by the Mortgagee or the government's estimate of the amount required to repair the damage.
- 5.2.4.1.2.3. **Limitation on Fire Damage** - Mortgagees are liable for fire damage whether or not the damage was the result of mortgagee neglect. However, that liability shall be limited to the amount of the insurance benefit received or to be received, provided the circumstances specified in 24 CFR 203.379(a)(2) exist, the Mortgagee makes the certification required by 24 CFR 203.379(a)(2), and the damage did not result from Mortgagee neglect. If a property is conveyed with fire damage without prior approval, the Contractor shall check to see if the Mortgagee has entered the date of its certification letter in Item 25(b), which

indicates that the Mortgagee is claiming that its liability for fire damage is limited to the amount of its insurance recovery. The Contractor shall assess the Mortgagee's claim to this limitation. If the Contractor accepts the Mortgagee's claim that 24 CFR 203.379(a)(2) applies, when the Contractor receives the Part B of Form HUD-27011, it shall check Item 119 of Part B to determine whether the actual insurance recovery differed from the estimate given in Item 27 of Part A. If the actual insurance recovery was more than the estimate, the difference must be deducted under Column A on Part B. If the actual insurance recovery was less than the estimate, the difference must be added under Column B on the Part B.

**5.2.4.1.2.4. Properties Conveyed with Non-Surchageable Damage** – If a property has sustained non-surchageable damage the Mortgagee is not required to obtain pre-approval for conveyance. However, the Mortgagee must include a description of the damage in the “Mortgagee's Comments” section of the Form HUD-27011, Part A and include, along with the claim, documentation supporting the preservation and protection work performed on the property. The Contractor shall review the supporting documentation and take appropriate actions as follows. If a Mortgagee fails to provide the required explanation in the Mortgagee's Comments section of the Part A or fails to provide the required documentation of P&P actions, the Contractor shall notify the Mortgagee in writing that the Mortgagee has ten (10) calendar days to provide the information. If no documentation is received from the Mortgagee and the Contractor determines from its property inspection that the damage is surchargeable, the Contractor shall immediately contact the GTR and recommend either reconveyance or a reduction in claim benefit in the amount required to repair the damage. The GTR will either approve a reconveyance action or instruct the Contractor to notify the Mortgagee in writing, to reduce its claim Parts B and C by an amount equal to the greater of any insurance recovery received, or to be received by the Mortgagee or the government's estimate of the cost to repair the damage.

**5.2.4.2. Part B and C Claims** – Mortgagees must send a copy of the Form HUD-27011, Parts B and C to the Contractor by the later of forty-five (45) calendar days after the date the deed is filed for recordation or fifteen (15) calendar days after the date of title approval. The Contractor shall review Parts B and C only to determine if claimed expenses were actually performed and performed properly. To make this determination, the Contractor shall, at a minimum, compare the information claimed on Parts B and C to the information from the initial inspection report and the appraisal. The Contractor is not to determine whether individual costs are eligible or in excess of allowable limits for P&P.

**5.2.4.2.1. Claimed Expense Not Completed** – If claimed services were not performed or not performed properly, the Contractor shall notify the GTR and initiate action to collect the overpayment as described in Housing Notice 2002-20.

**5.2.4.2.2. Required Work Not Completed - No Expense Claimed** – HUD does not request reimbursement from a Mortgagee for P&P items that should have been completed prior to conveyance but were not completed and are not included on the Mortgagee's claim for insurance benefits unless the failure to complete the P&P actions resulted in damage to the property.

- 5.2.4.3. **Part D Claims** – For line item 305 of Form HUD-27011 the Contractor shall determine whether taxes charged were actually paid and whether the Mortgagee charged HUD for tax penalties. If HUD was charged for taxes that were not paid or for tax penalties, the Contractor shall notify the GTR and obtain approval to collect the overpayment as described in Housing Notice 2002-20.
- 5.2.4.4. **Mortgagee Failure to Perform** - If, during the claim review process, the Contractor identifies P&P requirements that a Mortgagee should have, but did not complete, even if the expense was not included on the claim for benefits, the Contractor shall notify the Mortgagee of the non-compliance using the letter format to be provided by the GTR no later than thirty (30) calendar days following receipt of the claim. The Contractor shall send a copy of the non-compliance letter to the GTR.
- 5.2.4.5. **Contractor Responsibility for Mortgagees' Failure to Perform** - The Contractor shall maintain all properties in accordance with the requirements of 5.3 of this PWS, including completion of any P&P actions that were not performed by the Mortgagee. In the event that a Mortgagee's failure to perform causes the Contractor to incur costs, that are clearly outside the scope of the Contractor's responsibilities, the Contractor may submit a pass-through request for that portion of the Contractor's cost that exceeds \$1,000. GTR decisions with respect to individual pass-through requests will be final.

#### 5.2.5. Title Approval

Mortgagees are required to submit evidence of good and marketable title no later than forty-five (45) calendar days after the date a deed to the Secretary of HUD is filed for record. Title evidence must contain a complete legal description of the property. The original deed is forwarded only after recordation. The Contractor shall not withhold title approval pending receipt of the original recorded deed.

- 5.2.5.1. **Review** – No later than five (5) business days following receipt of title evidence from the Mortgagee, the Contractor shall review title evidence and either approve title or communicate a title rejection to the Mortgagee with sufficient explanation of the cause of the rejection. The Contractor shall comply with the substantive and procedural requirements for acceptable title evidence, reviewing title evidence, and communicating the results of the review in accordance with 24 CFR 203.385 – 203.390, HUD Handbook 4310.5, Rev 2, Chapter 4, Section IV, HUD Housing Notice 2002-20, and any subsequent policy directive.
- 5.2.5.2. **Approval** – Title approval letters are used to advise Mortgagees that title has been approved and allows the Mortgagee to submit Part B of the Single Family Application for Insurance Benefits Form HUD-27011. Title approval letters are system generated following input of approval data into SAMS. The Contractor shall follow the procedures specified in the *SAMS User's Guide*, Chapter 3, to complete required SAMS input.
- 5.2.5.3. **Rejection** – If the title evidence does not comply with HUD requirements, the Contractor shall provide written communication of title rejection to the Mortgagee with sufficient explanation of the cause of the rejection. If, within ten (10) calendar days following receipt of Contractor's notice of rejection, the Mortgagee fails to make the requested corrections or does not agree to accept a reduction in insurance benefits considered adequate to compensate HUD for any anticipated loss as a result of the title condition, the Contractor shall recommend reconveyance to the GTR and follow GTR instructions relative to reconveyance in accordance with Housing

Notice 2002-20. If sufficient information to approve title evidence is received within ten (10) calendar days of the Contractor's notice of rejection, the "Date Title Received" block of the title approval letter shall reflect the date the resubmitted, complete title evidence was received.

5.2.5.4. **Minor Defects** – Contractors shall not disapprove title evidence because minor corrections, i.e. address locators (N., S., Avenue vs. Street) are needed. Contractors shall contact the Mortgagee by phone or electronic transmission and ask the Mortgagee to obtain a corrected title policy. When sufficient information to approve the title evidence is received within the five (5) day review period, the title approval letter should reflect the original receipt date in the "Date Title Received" block. If the Mortgagee does not provide sufficient information within the allotted timeframe, the Contractor shall reject the title evidence in accordance with 5.2.5.3.

5.2.5.5. **Title Evidence Not Received** – If the Mortgagee fails to deliver title evidence by the forty-fifth (45<sup>th</sup>) calendar day after the date a deed to the Secretary of HUD is filed for record, the Contractor shall contact the Mortgagee and request the title evidence.

## 5.2.6. **Requests for Extensions of Time**

Following foreclosure of an FHA insured loan, Mortgagees are required to take specific actions or to submit specific documents to HUD within time limits specified in 24 CFR Part 203 or such additional time approved by HUD. If a Mortgagee cannot comply with the time requirements for a particular action because of circumstances beyond its control, the Mortgagee may submit Form HUD-50012, Mortgagee's Request for Extensions of Time, to the Contractor for consideration of the extension request. Requests may include extensions of time to convey title, submit title evidence, submit fiscal data (Parts B, C & D of the Claim for Insurance Benefits) or file supplemental claims.

5.2.6.1. **Review** – No later than five (5) business days following receipt of a completed Form HUD-50012, the Contractor shall review and either approve or deny extension requests in accordance with the applicable limits in HUD Handbook 4330.4 Rev-1, paragraphs 1-6 (A through E).

5.2.6.1.1. **Documentation** - Mortgagees must clearly document a valid reason for the extension, which reason is beyond the control of the Mortgagee. Paragraph 1-6.D of HUD Handbook 4330.4 Rev-1 identifies reasons determined by HUD to be insufficient to grant an extension request.

5.2.6.1.2. **No Part A Extensions** - The Contractor shall not grant extensions of the time to submit Part A, Form HUD-27011, Single Family Application for Insurance Benefits, except for extensions for pre-foreclosure sales.

5.2.6.1.3. **Extension Limits** - Extensions shall not be granted for more time than is required to complete the action. The Contractor may grant an initial extension and, if required, subsequent extensions not to exceed a total of ninety (90) calendar days for time to convey title, ten (10) calendar days for the time to submit title evidence, and forty-five calendar days for all other extension requests. Requests for extensions beyond these limits shall be referred to the GTR for the GTR's approval.

5.2.6.2. **Appeals** – If the Mortgagee disagrees with the Contractor's decision to reject an extension request, the Mortgagee shall have ten (10) calendar days from the date of rejection to submit an appeal to the Contractor. The Contractor must forward the appeal request, including all

supporting documentation, to the GTR no later than one (1) business day after receipt.

#### **5.2.7. Administrative Remedies**

When Mortgagees fail to comply with HUD servicing requirements the Contractor shall, at the direction of the GTR, pursue administrative remedies including sending Demand Letters, Notice of Intent to Collect by Administrative Offset, Mortgagees Failure to Perform Letters and Notice of Intent to Reconvey.

- 5.2.7.1. **Debt Collection and Administrative Offset Letters** - At the direction of the GTR, the Contractor shall initiate action to collect funds owed to HUD by Mortgagees related to their failure to adhere to any of the conveyance requirements described in 5.2. The Contractor shall comply with the substantive and procedural requirements for debt collection and administrative offset including the procedures for Mortgagee appeal as described in Housing Notice 2002-20 or subsequent policy directives.
- 5.2.7.2. **Reconveyance** – The Contractor shall obtain GTR approval before initiating a reconveyance action. At the direction of the GTR the Contractor shall send, via electronic transmission **and** U.S. mail, a Notice of Intent to Reconvey, notifying the Mortgagee of its responsibility to withdraw its claim, reimburse HUD for all claim amounts paid, reimburse HUD for its daily holding costs and property expenses incurred and accept reconveyance in accordance with 24 CFR 203.363. Following issuance of a Notice of Intent to Reconvey, the Contractor shall move the property to a Held-Off-Market status as described in 5.3.13. Upon expiration of the notice period and barring any appeal filed by the Mortgagee, the Contractor shall prepare and execute a deed conveying title to the Mortgagee. The Contractor shall ensure that the reimbursement due HUD is received from the Mortgagee prior to recording the deed. The Contractor shall ensure that the deed is recorded in the jurisdiction where the property is located. If payment is not received when due, the Contractor shall, at the direction of the GTR pursue administrative offset. The Contractor shall notify the GTR upon completion of the re-conveyance action and request a SAMS update to remove the property from HUD’s inventory.
- 5.2.7.3. **Administrative Remedies Report (ARR)** – The Contractor shall report all actions taken related to tasks in 5.2 of the PWS via the Administrative Remedies Report (ARR). The ARR is an excel spreadsheet that will be provided to the Contractor by the GTR at the post award conference. The Contractor shall complete the applicable data entry fields in the ARR on an on-going basis. The Contractor shall post the ARR on EMS no later than the tenth (10<sup>th</sup>) calendar day of the month following the month of activity covered in the report. If HUD action is required the Contractor shall send the ARR to the GTR more frequently via email.
- 5.2.7.4. **Contractor Reimbursement of Expenses** – In the event that HUD obtains through the administrative offset or reconveyance actions described herein, recoveries from Mortgagees of expenses incurred by the Contractor, the GTR shall approve reimbursement of the Contractor’s actual costs as a pass-through expense.

## 5.2.8. Mortgagee Compliance Performance Requirements Summary

PWS PERFORMANCE REQUIREMENTS REFERENCE		PERFORMANCE MEASURE	QUALITY ASSURANCE PROCEDURE	FREQUENCY	MINIMUM SATISFACTORY RATING
5.2.1.1 5.2.6	Mortgagees receive accurate and timely response to requests for overallowable expenses and extensions of time	Percentage of Mortgagee requests that receive an appropriate response within 5 business days	GTR sampling of the Administrative Remedies Report on EMS	Monthly	90%
5.2.4.1	Inappropriate conveyances are identified accurately and timely	Percentage of Part A reviews that are performed accurately and within 30 calendar days	GTR sampling of conveyance decisions as reported on the Administrative Remedies Report	Monthly	95%
5.2.4.2	Inappropriate claims by Mortgagees are identified accurately and timely	Percentage of Part B claim reviews that are performed accurately and within 30 calendar days	GTR sampling of cases listed on the Administrative Remedies Report	Monthly	90%
5.2.5.1	Title evidence is reviewed and approval or rejection is issued timely.	Percentage of cases where title rejections are issued within five (5) business days.	GTR review of title receipt and title approval dates in SAMS.	Monthly	90%

### 5.3. PROPERTY MANAGEMENT

Property management responsibilities under this PWS include:

- Maintenance and preparation of properties intended for sale,
- Management of rental properties,
- Management and maintenance of properties in the custody of, but not owned by HUD.

Regardless of the type of acquisition or the management required, the Contractor shall maintain all properties in a manner that results in properties that are clean, safe, secure and sanitary and preserves property value. As described in Section L, Instructions, Conditions and Notice to Offerors, the Contractor shall prepare, maintain and implement a comprehensive Property Management Plan consistent with the preliminary Property Management Plan submitted during the bid process. The Property Management Plan will describe how the Contractor intends to meet or exceed the performance objectives of this PWS relative to each type of management. Following contract award, the Contractor shall as described in 5.5.1.1.2, provide to the GTR and Contracting Officer hardcopy and electronic copies of the final Property Management Plan not later than the post award conference. The GTR will review the final Property Management Plan as described in 5.5.1.2.1. HUD must accept each Plan in accordance with 5.5.1.2.1 before the Contractor can implement it. Changes to the Property Management Plan must be approved in writing by the GTR in advance of implementation. In performing the tasks required under this section, the Contractor shall make all required reports, documents, inspections and information about property condition, management and maintenance available on EMS.

#### 5.3.1. Acquisition

- 5.3.1.1. **Verify Acquisition** – Generally, properties are conveyed to HUD concurrent with the filing of a claim for loss by the Mortgagee and are reflected on the Step 0 report or Z Track Report in SAMS. The Form HUD- 27011 Part A will be used by the Mortgagee and sent directly to the Contractor to convey the property. The Contractor may occasionally receive the Form HUD-27011A prior to it appearing on the Step 0 report. On the same business day as receipt of the Notice of Acquisition of a property conveyed in return for payment of insurance benefits, the Contractor shall access SFIS, to determine that a property is subject to an FHA insured mortgage loan and that HUD paid a claim for that insured loan. In instances where the property was not subject to an FHA-insured mortgage or HUD has not paid a claim, the Contractor shall notify the GTR no later than one (1) business day following discovery. If the property or mortgage note assignment is received directly from the GTR the Contractor is not required to verify acquisition.
- 5.3.1.2. **Initial Inspection** – No later than twenty-four (24) hours after receipt of notification of acquisition the Contractor shall perform an initial property inspection and prepare a Property Inspection Report using the HUD Property Inspection Report form, Section J-Attachment 1. If the inspection identifies any imminent health and safety conditions as identified in paragraph 5.3.2, the Contractor shall remedy those conditions no later than twenty-four (24) hours after the earlier of notification or discovery.
- 5.3.1.3. **Initial Securing** – Concurrent with the initial property inspection the Contractor shall ensure that the property is properly secured against unauthorized entry in accordance with instructions from the GTR and the requirements of Mortgagee Letters 2002-10, 2003-05 and any subsequent

policy directive. Additionally, no later than forty-eight (48) hours from the date of the initial inspection the Contractor shall perform the following:

- 5.3.1.3.1. **Personal Property** – The Contractor shall, on a continual basis, remove and properly dispose of all debris, refuse and personal property from both the land and structures at HUD-owned properties. The Contractor shall not remove personal property owned by occupants or former occupants of HUD-owned properties unless (1) the personal property constitutes an imminent health or safety hazard, or (2) the personal property is removed pursuant to an eviction or local regulation for removal of such property.
- 5.3.1.3.2. **Emergency Signage** - Post an emergency contact sign on the property providing a name and toll free, 24-hour phone contact for emergency response.
- 5.3.1.3.3. **Secure Doors and Windows** - Repair all broken doors and replace broken windows unless the property is in an approved boarding area or as directed by the GTR. Approved boarding areas are listed in Section J-Attachment 10 of Mortgagee Letter 2002-10. Unless otherwise directed by the GTR, if properties are conveyed to HUD with boarding but are not located in approved boarding areas, then the Contractor shall remove the boarding, repair any broken doors and replace broken windows.
- 5.3.1.3.4. **Access** – Ensure that properties are properly keyed at all times with a locking mechanism that provides access to HUD employees and Contractors and makes the properties accessible for viewing by potential purchasers in the company of registered brokers.
- 5.3.1.3.5. **Prevent Further Moisture Damage** - Stop active leaks that may cause deterioration of the property or pose an imminent health or safety hazard.
- 5.3.1.3.6. **Sign-In Sheets** - Place and maintain a sign-in sheet in the property. A separate sign in sheet will be required in each unit of a multi unit property. The Contractor and all Subcontractors and workmen shall sign-in each time they enter the property.

5.3.1.4. **Notifications** – No later than fifteen (15) calendar days after receipt of notice of acquisition the Contractor shall provide written notice to local police, taxing authorities and homeowner’s associations of HUD’s ownership of each property and include contact information for delivery of notices and invoices.

### **5.3.2. Health and Safety Hazards**

The Contractor shall identify and correct any condition that presents an imminent health or safety hazard to the public or to the property no later than twenty-four (24) hours of the earlier of notification or discovery of the hazard. Some commonly found health and safety hazards are identified on the HUD Property Inspection Report form, Section J-Attachment 1. No later than two (2) business days following completion of all health or safety repairs the Contractor shall post on EMS a copy of the work order and photographs showing the property condition before and after the repairs have been completed.

### **5.3.3. Property Maintenance**

The Contractor shall maintain properties in a manner that is clean, safe, sanitary and secure. The Contractor shall be liable for damages to all acquired properties due to failure to inspect or secure

property or other act, neglect, failure, or misconduct of the Contractor, a Subcontractor, or any Management Official of any the foregoing. The Contractor shall indemnify HUD for losses due to any act, neglect, failure, or misconduct of the Contractor, a Subcontractor, or any Management Official of any the foregoing. The Contractor shall not be held liable for casualty damage as long as, before and after such casualty, the Contractor takes immediate and reasonable action to protect the property.

- 5.3.3.1. **Ready to Show Condition** – Prior to listing any HUD-owned property for sale, the Contractor shall ensure that it is thoroughly clean, safe and sanitary so that the property, though sold in AS IS condition (after making any repairs expressly required herein), is as attractive as possible to potential homebuyers.
- 5.3.3.2. **Inspections** – The Contractor shall routinely inspect and take all actions necessary to preserve, protect and maintain each property. Based on geography, climate, age and community needs, some properties may require more frequent inspections and a higher level of maintenance than others. The Contractor may wish to consult Mortgagee Letters 2002-10, 2002-19, 2003-05, 2003-7 and 2003-9 as a starting point to assess the frequency with which it should be inspecting properties. These Mortgagee Letters describe HUD’s past experience regarding inspections and do not establish the maximum number of inspections that are sufficient to satisfy the performance requirements of this PWS.
- 5.3.3.3. **Quality Assurance** – On or after the fifteenth (15) calendar day following receipt of a notice of acquisition, a property may be subject to quality assurance inspections by HUD, its Contractors or agents to verify that the Contractor is performing the level of property management required under this PWS. The HUD Property Inspection Report form will be used for this verification. HUD staff may conduct property inspections or HUD may employ a Special Property Inspection (SPI) Contractor. Property selection may be based on a combination of random and risk based targeting methods and may include properties that are in Custodial (5.3.12) and Held Off Market (5.3.13) status.

#### 5.3.4. **Property Condition Report**

The Contractor shall prepare a property condition report for each property. Prior to completing a property appraisal as required in paragraph 5.4.1.3, the Contractor shall prepare and provide to the appraiser a comprehensive property condition report that provides potential purchasers with any information known to the Contractor that may affect the habitability, functionality or value of the property, including but not limited to: the functionality of all heating, cooling, plumbing, gas and electrical systems and appliances; outstanding code violations, pending litigation, demolition orders, other legal actions that may impact the property or violations of Homeowner’s Association covenants that are known to the Contractor and that will not be resolved prior to closing; condition of the septic system or well; existing transferable warranties; copies of Homeowner’s Association documents; the Environmental Compliance Record described in 5.3.8; the lead based paint disclosure described in 5.3.8.1.1 and the mold disclosure described in 5.3.8.5. In preparing the report, the Contractor shall turn utilities on or find an alternate means of checking the functionality of existing systems and appliances. The completed Property Condition Report shall be posted in the property file on EMS and shall be made available to prospective purchasers through the Internet Property Listing as required in paragraph 5.4.1.12.

No later than twenty-four (24) hours after the Contractor, a Subcontractor, or any Management Official of any of the foregoing acquires knowledge that renders the contents of a previously prepared Property Condition Report inaccurate or incomplete, the Contractor shall update the Property Condition Report, place the update on the Internet site and, if an offer has been accepted or a sales contract has been executed for the property, notify the Selling Broker or, if a Selling Broker was not used, the prospective purchaser of the new or changed information. In no event, however, shall the Contractor be required to provide a revised Property Condition Report after the transfer of title from HUD to a Purchaser. Disclaimer language shall be prominently displayed on the cover of the Property Condition Report informing prospective purchasers the contents are for information only and do not imply any guarantee or warranty of property condition. At the post award conference the GTR will provide the Contractor with the Property Condition Report format including the disclaimer language.

### **5.3.5. Winterization**

The Contractor shall perform winterization of all operating systems and equipment including but not limited to shutting water off for external spigots and filling internal water systems with anti-freeze in accordance with the requirements of Mortgagee Letters 2002-10, 2003-05 or any subsequent policy directive.

### **5.3.6. Utilities**

Immediately upon acquisition the Contractor shall notify the local utility of HUD's ownership of a property and shall order a final utility bill to determine if there are unpaid utility charges for the period prior to HUD's acquisition.

- 5.3.6.1. **Utility Liens** - In areas where a municipality owns utilities and outstanding utility charges are a lien on the property the Contractor shall pay the outstanding utilities bills for the period prior to acquisition by HUD. HUD will only reimburse, as a pass-through expense, those payments made to satisfy utility liens incurred prior to acquisition. The Contractor shall ensure that HUD only pays those costs it is legally obligated to pay.
- 5.3.6.2. **Post Acquisition Utility Charges** - The Contractor may, at its discretion, determine whether utilities will or will not be provided at each property except in those areas identified in Mortgagee Letters 2002-10, 2003-05 and subsequent policy directives, where HUD has determined it is necessary to have the utilities remain on to preserve the property from freeze damage. The Contractor shall pay, without reimbursement by HUD, all utility charges from the date of acquisition or vacancy (whichever is later) through the closing, including those charges incurred while completing the systems check required in 5.3.4.
- 5.3.6.3. **Purchaser Testing** - The Contractor shall allow prospective purchasers the opportunity to activate and deactivate utilities for the purpose of performing a systems check prior to purchase. The Contractor shall not charge the purchaser a fee for the Contractor's efforts to facilitate this process. However, the purchaser is responsible for the actual costs to activate, deactivate and, when necessary, re-winterize the property and the Contractor may require that the purchaser deposit an amount sufficient to cover these costs.
- 5.3.6.4. **Occupied Properties** – In instances where HUD does, as a matter of policy, agree that utilities be activated in HUD's name and provided that HUD-owned properties are occupied, the

Contractor with GTR approval, will be reimbursed the utility costs as a pass-through expense for the period of occupancy.

### **5.3.7. Taxes, Rents, Fees, Dues and Assessments**

The Contractor shall research and process for payment, regardless of when incurred, property taxes, ground rents, condominium or homeowner's association fees, dues or assessments in accordance with the requirements of Housing Notice 2002-20, HUD Handbook 4310.5 Rev 2, Chapter 5, and any subsequent policy directive. Any penalties or interest charges incurred by HUD as a result of late payment of property taxes, ground rents, condominium or homeowner's association fees, dues or assessments incurred during the period from assignment to settlement shall be the responsibility of the Contractor.

- 5.3.7.1. **Paying Taxes and Special Tax Assessments** – The Contractor shall obtain and process for payment by HUD all applicable real estate tax bills and special tax assessments on all HUD-owned properties. The Contractor shall submit the tax transmittal form along with original, or certified copies of, tax bills and special tax assessments or evidence of the obligation to the HOC fifteen (15) business days prior to the due date. Any penalties or interest charges incurred by HUD as a result of late payment during the period from assignment to settlement shall be the responsibility of the Contractor. The tax transmittal shall be accompanied by a check to cover the cost of any penalties or interest charges due to HUD from the Contractor.
- 5.3.7.2. **Homeowner's Association Fees, Dues, Ground Rents and Non-Tax Assessments** – Payment of homeowner's association fees, condominium dues, ground rents and non-tax assessments will be a pass-through expense. The Contractor shall obtain and pay all applicable Homeowner's Association fees, condominium dues, ground rents and non-tax assessments. The Contractor shall provide documentation (receipts, invoices) in support of all payments made. Any penalties or interest charges incurred by HUD as a result of late payment of HOA or condominium fees or ground rents during the period from assignment to settlement shall be the responsibility of the Contractor.
- 5.3.7.3. **Mortgagee Responsibility** – Mortgagee Letter 2002-19 describes the responsibilities of Mortgagees for payment of property taxes, ground rents, condominium or homeowner's association fees, dues or assessments that accrue prior to foreclosure and during the period from foreclosure to conveyance of the property to HUD. The amount of any penalties or interest charges incurred by HUD as a result of a Mortgagee's failure to comply with the requirements of Mortgagee Letter 2002-19 are the responsibility of the Mortgagee. At the direction of the GTR, the Contractor shall take action to recover these penalties and interest charges through debt collection and/or administrative offset in accordance with 5.2.7.1.
- 5.3.7.4. **Paying Taxes, Assessments, Fees and Dues at Settlement** - If, due to a pending sale or other timing considerations, the Contractor determines that it is in the best interest of HUD to have property taxes or assessments paid from settlement proceeds, the Contractor may instruct the Closing Agent to include these charges on the Form HUD-1, Settlement Statement, as a seller expense. This authority shall not be used to circumvent the Contractor's requirement to process payments in a timely manner and may be revoked or suspended by written notice from the GTR. If there are penalties or interest charges due that are the responsibility of the Contractor as described in 5.3.7.1 and 5.3.7.2, those expenses shall not be reflected as a seller's expense on the Form HUD-1, Settlement Statement, but must be funded at closing by the Contractor.

### 5.3.8. Environmental Compliance

HUD properties shall be managed in compliance with applicable environmental laws and regulations.

- 5.3.8.1. **Lead Based Paint** – Lead-Based Paint Hazard Reduction Act of 1992 (Title X of the Housing and Community Development Act of 1992) and the lead-based paint regulations (the Lead Safe Housing Rule) at 24 CFR Part 35, Subpart F, require visual assessment for deteriorated paint, stabilization of deteriorated paint, and clearance of HUD properties constructed prior to 1978 that are sold with FHA insured loans. The Lead Disclosure Rule (24 CFR 35, subpart A) requires disclosure to the prospective purchaser of any property constructed prior to 1978, of the potential hazards of lead-based paint and disclosure of any records or reports available to the seller pertaining to lead-based paint and/or lead-based paint hazards in the target housing.
  - 5.3.8.1.1. **Disclosure Requirements** – Based on appraisal information or as determined by the initial inspection, the Contractor shall verify that the year of construction is entered in SAMS. For all properties constructed prior to 1978 the Contractor shall comply with the disclosure requirements of the Lead Disclosure Rule (24 CFR 35, subpart A) as described in Section J-Attachment 10. The Contractor shall not execute a sales contract for a property constructed prior to 1978 for which the required Lead-Based Paint disclosure has not been provided.
  - 5.3.8.1.2. **Inspection, Stabilization and Clearance** – The Contractor shall fully comply with HUD’s policy for elimination of lead-based paint hazards in HUD homes built before 1978 as described Housing Notice 2003-30, Elimination of Lead-Based Paint Hazards in HUD Owned Single Family Properties, and in accordance with the procedures described in Section J-Attachment 2.
  - 5.3.8.1.3. **Costs** – As further described in Section J-Attachment 2, GTR approved costs for inspection, visual assessment, paint stabilization and clearance of lead-based paint or lead-based paint hazards will be reimbursable by HUD as a pass-through expense.
  - 5.3.8.1.4. **Contingency Periods** – All contracts for the sale of properties constructed prior to 1978 shall include a fifteen (15) calendar day contingency period during which the purchaser may review all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the property or obtain, at the purchaser’s expense, an independent lead-based paint inspection and/or risk-assessment of the property. This contingency shall run concurrently with the Inspection Contingency described in 5.4.3.12. Additionally, if a property is sold subject to FHA insured financing and the Contractor did not provide the Purchaser with a lead inspection report and paint stabilization plan prior to acceptance of the purchase offer, the Purchaser shall be entitled to an additional contingency period as identified in Section J-Attachment 10.
  - 5.3.8.1.5. **Asset Control Area (ACA) Properties** – Concurrent with delivery of a Notice of Acquisition to an ACA participant (5.4.2.5) the Contractor shall provide to the ACA participant all information, records and reports known to the Contractor, its Subcontractors, or any employees or agents related to lead-based paint or lead-paint hazards at the property. Because the ACA sales contract provides disclosure language relative to lead-based paint and lead-based paint hazards, the Contractor shall not utilize the disclosure forms described in

5.3.8.1.1. Additionally, the Contractor shall not be responsible for lead-based paint inspections, stabilization or clearance for properties sold under an Asset Control Area Agreement.

- 5.3.8.2. **Environmental Compliance Record** - (24 CFR 50.4) The Contractor shall determine whether each property is in a special flood hazard area, a clear zone at a military airport, an airport runway clear zone or subject to historic preservation and include this information in the Environmental Compliance Record to be compiled using the format suggested in paragraph 6-18, Handbook 4310.5. The Environmental Compliance Record shall be included as part of the Property Condition Report.
- 5.3.8.3. **Flood Insurance Requirement** – As a condition of sale, purchasers of all HUD homes located in a special flood hazard area and where flood insurance is available through the National Flood Hazard Insurance Program are required to obtain flood insurance. Coverage shall be in an amount equal to or greater than the replacement value of the improvements as indicated on the appraisal. Additionally, the purchase contract must also include a provision that requires the purchaser to maintain flood insurance for the duration of his or her ownership and to make flood insurance a condition of any future sale. The HUD sales contract shall include a flood insurance notification defining this requirement. The Contractor shall ensure that flood insurance is obtained prior to closing when required as described herein, but shall have no responsibility to monitor or enforce the post closing requirement. This requirement does not apply to vacant lots, properties sold to ACA partners that are scheduled for demolition, or properties sold without any form of Federal Assistance including discounts, PMMs, sales incentives and closing cost assistance.
- 5.3.8.4. **Flood Insurance Not Available** - HUD-owned properties located in special flood hazard areas in communities that are suspended from or are not participating in the National Flood Hazard Insurance Program, are not eligible for sale with FHA insurance, discounts, PMMs or other FHA assistance and must be listed uninsured as described in 5.4.1.4.
- 5.3.8.5. **Mold** – The Contractor shall not execute any sales contract that does not include a mold disclosure in the format to be provided by the GTR at the post award conference. Additionally, the Contractor shall notify the GTR of any property with obvious evidence of mold or organic growth that, in the opinion of the Contractor, poses a potential health or safety hazard or inhibits marketing. At the direction of the GTR the Contractor may be required to subcontract for mold testing and abatement or to provide property access to a Contractor selected by HUD. All subcontract costs of testing or abatement approved by the GTR will be reimbursed as a pass-through expense.
- 5.3.8.6. **Historic Preservation** – If a HUD-owned property is listed on the National Register of Historic places or is located within a district that is listed on the National Register of Historic places, the property is subject to historic preservation requirements, which must be passed on to the purchaser via a restrictive covenant in the deed. The Contractor shall contact the GTR to obtain the appropriate language for the deed restriction, shall deliver the language to the Closing Agent and review the deed prior to its execution to ensure that the restrictive language is included.
- 5.3.8.7. **Other Environmental Hazards** – Prior to listing any property for sale, the Contractor shall conduct a search of information in its possession, including but not limited to, information

obtained from HUD, the former owner or Mortgagee, title reports, property inspections and appraisals, to determine whether any environmental hazards impact the property. Examples of environmental hazards include, but are not limited to, the presence of noxious fumes, radiation, underground storage tanks and chemical spills as well as the hazardous substances subject to 5.3.8.8. If the search reveals any record of environmental hazards at the property, the Contractor shall immediately notify the GTR and shall disclose that information in the Property Condition Report. At the direction of the GTR the Contractor may be required to subcontract for environmental testing and remediation or work with an Environmental Contractor selected by HUD. All subcontract costs of testing and remediation approved by the GTR will be reimbursed as a pass-through expense. The Contractor shall not offer a property with known environmental hazards for sale or lease until so authorized in writing by the GTR. If, after occupancy of a leased property, the search reveals a record of environmental hazards, the lease agreement shall be amended to include notice of the hazards. The Contractor shall obtain written approval of the lease provisions from the GTR and shall consult with the GTR on whether termination of the lease or discontinuation of the occupancy is warranted.

5.3.8.8. **CERCLA Compliance** – Under Section 120(h) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) (42 USC 9620(h)), HUD may not transfer title to a property on which any hazardous substance was stored for one year or more or known to have been released, or disposed of until the contamination has been remediated. The meanings of the terms hazardous substances, storage, release and disposal are defined in the implementing regulations for section 9620(h)(l) at 40 CFR Part 373.

5.3.8.8.1. **Contract Disclosure** – If the search required in 5.3.8.7 reveals a record of the storage for one year or more, release, or disposal of hazardous substances that are subject to disclosure under Sec. 120(h) of CERCLA, the Contractor shall include as part of the purchase contract the disclosure language and form in Section J-Attachment 4.

5.3.8.8.2. **Deed Provisions** – If the search required in 5.3.8.7 reveals a record of the storage for one year or more, release, or disposal of hazardous substances at the property, the Contractor shall instruct the Closing Agent to include in the deed conveying such property language required by 42 USC 9620(h) and included in Section J-Attachment 4. The Contractor shall obtain the prior written approval of the GTR for these deed provisions.

5.3.8.8.3. **Lease Restriction** – The Contractor shall not knowingly enter into a lease for a property with a record of hazardous substances. If, after occupancy, the search reveals a record of the storage for one year or more, release, or disposal of hazardous substances at the property, the lease agreement must be amended to include the same information described above under Deed Provisions with the exception that the lease provision shall not contain the covenant warranting that remediation has occurred. The Contractor shall obtain the prior written approval of the GTR for these lease restrictions and shall consult with the GTR on whether termination of the lease or discontinuation of the occupancy is warranted.

### 5.3.9. **Termites and Wood Destroying Organisms**

Prior to listing, the Contractor shall obtain a termite and Wood Destroying Organisms (WDO) inspection on all properties located in FHA designated Termite Probability Zones (TPZ), except vacant lots, properties identified for demolition or properties sold under an Asset Control Area Agreement. TPZ areas are listed by State at [www.hud.gov/offices/hsg/sfh/ref/sfh1-23.cfm](http://www.hud.gov/offices/hsg/sfh/ref/sfh1-23.cfm). The

Contractor shall pay the cost of the WDO inspection and any subsequent inspections required in 5.3.9.1.

5.3.9.1. **Clearance** – For properties, which require a WDO inspection in 5.3.9, the Contractor shall provide a current termite/WDO clearance letter at closing if requested by the purchaser. In some areas this will require a re-inspection no earlier than thirty (30) days prior to closing. Additionally, the Contractor may at its discretion and expense, provide WDO inspections and clearances in areas not required under 5.3.9 if the seller in that market generally provides such inspections and clearances.

5.3.9.2. **Active Infestation** - If the WDO inspection, whether required under 5.3.9 or completed at the discretion of the Contractor, indicates active infestation, the Contractor shall notify the GTR of the cost of required treatment and any repairs necessitated by the infestation. The Contractor shall, after receiving GTR approval, complete the treatment and any repairs. The cost of approved treatment and repairs shall be reimbursed as a pass-through expense. For properties that require a WDO inspection in 5.3.9, all approved repairs or treatments shall be completed prior to listing.

### **5.3.10. Vandalism Prior to Contract Acceptance**

In the event a property is vandalized prior to acceptance of a sales contract, the Contractor shall, (1) remove all graffiti from private and public surfaces on the property even if the graffiti was present at acquisition; (2) repair to its prior condition any damaged lock, door or window; and (3) immediately repair any health or safety hazard as required by 5.3.2. These repairs shall be completed at the Contractor's expense.

5.3.10.1. **Other Vandalism Repairs** - The Contractor shall obtain estimates to repair all other vandalism damage, that the Contractor is not responsible for repairing under 5.3.10 and provide the estimates with a repair recommendation to the GTR. At the direction of the GTR, the Contractor shall complete approved repairs. HUD shall reimburse the approved costs to repair other vandalism damage as a pass-through expense provided that HUD does not determine that the vandalism is due to the Contractor's failure to properly secure the property against unauthorized entry or that the Contractor has engaged in (or permitted) a pattern or practice of failing to secure properties.

5.3.10.2. **Missing Appliances** - If appliances are removed from the property due to vandalism, the Contractor is not required to replace them.

5.3.10.3. **GTR Notification** - Each occurrence of vandalism must be documented in the property file on EMS and the GTR should be notified via email no later than two (2) business days after discovery. If vandalism damage occurs after the property is under contract for sale, see the requirements of paragraph 5.4.3.13.

### 5.3.11. **Rental Property Management**

When HUD-owned properties are tenant occupied the Contractor shall provide rental management services including but not limited to preparing and executing lease agreements, collecting rents, completing repairs and maintenance and, if requested by the GTR, conducting evictions. In performing rental property management the Contractor shall comply with the requirements of Section J-Attachment 3, and any subsequent policy directive as well as the environmental review and disclosure requirements of 5.3.8.7. and 5.3.8.8. The Contractor shall use the standard lease forms in the appendices to HUD Handbook 4310.5 Rev-2, without alteration, except as necessary to complete the forms. Only those individuals specifically named in the Limited Power of Attorney (5.1.6) may sign leases on behalf of HUD. Reasons why properties may be tenant occupied include, but are not limited to, an approved occupied conveyance or occupancy in conjunction with disaster relief efforts or other special programs.

### 5.3.12. **Custodial Properties**

Custodial properties are vacant properties secured by a secretary-held mortgage, including a HECM. By virtue of its security interest HUD has certain rights and responsibilities to ensure that the property is preserved and protected. HUD does not hold title to custodial properties and therefore they are not offered for sale. Custodial properties will be assigned to the Contractor through the GTR. Within twenty-four (24) hours of assignment the Contractor shall complete an initial property inspection and securing in accordance with 5.3.1.2 and 5.3.1.3, to the extent that such requirements can be met without constituting an illegal trespass. If the property is occupied, the Contractor shall immediately notify the GTR and await instructions prior to taking further action. The Contractor shall maintain vacant custodial properties in accordance with the Contractor's Property Management Plan and the requirements of 5.3.2, 5.3.3, and 5.3.5 and at the direction of the GTR, in accordance with 5.3.6 and 5.3.10, subject to the following conditions:

- 5.3.12.1. **Notifications** – The Contractor is not required to provide notifications of ownership to police, taxing authorities and HOA's (5.3.1.4).
- 5.3.12.2. **Ready to Show Condition** – The Contractor is not required to keep the interior of the property clean and ready to show as described in 5.3.3.1, unless the unclean condition constitutes an imminent health or safety hazard.
- 5.3.12.3. **Personal Property** – The Contractor shall not remove any personal property unless it constitutes an imminent health or safety hazard (5.3.1.3).
- 5.3.12.4. **Property Condition Report** – The Contractor is not required to prepare a Property Condition Report (5.3.4).
- 5.3.12.5. **Taxes, Rents, Fees, Dues and Assessments** – The Contractor shall not be responsible for payment of property taxes, ground rents, fees, condominium or homeowner's association (HOA) dues or special assessments (5.3.7).
- 5.3.12.6. **Environmental Compliance** – Unless otherwise directed by the GTR, the Contractor shall not be responsible for the environmental compliance requirements identified under 5.3.8 unless the environmental condition is an imminent health or safety hazard to the public or is contributing to the deterioration of the property.

5.3.12.7. **Termite Inspections** – The Contractor shall not be responsible for obtaining termite or WDO inspections or completing treatment (5.3.9)

5.3.12.8. **Rental Property Management** –The Contractor shall not rent custodial properties.

### 5.3.13. **Held Off Market (HOM) Codes**

Properties that are assigned to the Contractor may have a condition such as a pending eviction, reconveyance, tenancy or unusual condition that impacts marketing, causes a property to be unavailable for competitive sale or denotes that a property will never be offered for sale by the Contractor. The Contractor shall notify HUD of these conditions by entering in SAMS the appropriate Held Off Market (HOM) code. Some HOM codes, including “ACA Awaiting Contract” or “Offered for Direct Sale”, describe the status of a property that will not be offered on a competitive basis. Other codes such as “Adverse Occupant” denotes a temporary delay in marketing. When the GTR determines that any property has an unusual condition that will seriously delay or prohibit the Contractor’s ability to market the property, the GTR will direct the Contractor to enter a “Program Mandate” (PM) code in SAMS. In accordance with Section B of this PWS, the Contractor shall be entitled to additional monthly compensation for those properties that are assigned a PM code by the GTR. Unless otherwise directed, the Contractor shall manage properties with HOM codes in accordance with the applicable requirements of 5.3. Examples of properties currently designated "PM" include:

5.3.13.1. **Special Projects** - From time to time HUD enters into agreements to sell properties in bulk to agencies of local government or qualified non-profits such as those described below in Sacramento and New York. The GTR shall notify the Contractor about these agreements. The Contractor shall not be entitled to receive a Property Management, Vacant Property Management or Marketing fee for these properties. The Contractor shall be entitled to bill a HOM PM fee beginning in the first month of assignment of a special project property and ending in the month title transfers to a purchaser. The Contractor shall have no responsibilities related to marketing, sale and limited closing responsibilities. Properties sold via Asset Control Area Agreements are not considered to be Special Projects.

5.3.13.2. **Reporting** - The Contractor will provide the GTR with a monthly HOM report listing all properties in HOM status sorted by HOM status code and identifying actions being taken by the Contractor to return properties to the market when applicable. The HOM Report will be posted on EMS on the tenth (10) calendar day of the month following the month of activity covered in the report. At the direction of the GTR the Contractor shall remove any property from HOM status.

### 5.3.14. **Vacant Lots**

Vacant lots are to be maintained at all times in a manner that results in properties that are clean, safe and sanitary.

### 5.3.15. **Evictions**

The Contractor shall initiate and administer eviction actions after having obtained GTR approval. Legal expenses associated with eviction actions, including relocation payments to tenants in those jurisdictions where HUD, as a matter of policy has determined to pay relocation, will be reimbursed on a pass-through basis when approved in advance by the GTR. The Contractor shall not incur any

legal expenses for which reimbursement is expected without prior GTR approval. The Contractor shall conduct evictions in accordance with the guidance in HUD Handbook 4310.5 Rev 2, Chapter 7 or any subsequent policy guidance.

### **5.3.16. Demolitions**

At the direction of the GTR, the Contractor shall obtain bids, select, contract for and oversee the demolition of property improvements, removal of debris and cleaning of the vacant lot. HUD will reimburse the costs of approved demolitions as a pass-through expense.

5.3.16.1. **Historic Preservation Requirements** - Prior to demolition of the improvements on any HUD-owned property, the Contractor shall comply with Section 106 of the National Historic Preservation Act (NHPA) (16 USC 470f) and the implementing regulation for Section 106 at 36 CFR Part 800. Compliance includes determining if the property is on the National Register of Historic Places, and if it is not listed on this register, consulting with the State or Tribal Historic Preservation Officer to determine whether the property is eligible for inclusion on the register. If the property is on the register or is eligible for inclusion on the register the Contractor shall consult with the State or Tribal Historic Preservation Officer and other consulting parties to resolve the adverse effects of demolition and shall prepare any required documentation or memorandum of agreement for review and execution by HUD. The Contractor shall include in EMS all actions taken with respect to compliance with NHPA.

5.3.16.2. **Legal Notification Requirements** – In communities where demolitions actions are frequent the Contractor may be instructed to market properties with pending demolition orders while HUD’s legal representative contests the demolition. In these communities the Contractor shall provide a weekly email notification to HUD’s legal representative of all properties with accepted contracts that have pending demolition orders. HUD’s legal representative will notify the purchaser and provide copies of applicable legal documents. Currently this practice is in effect in the City of Chicago and may be implemented in other communities.

### **5.3.17. Repairs**

At the direction of the GTR the Contractor shall obtain bids, select, contract for and oversee property repairs required to correct casualty damage or any other repair or improvement determined by HUD to be necessary. Actual costs associated with repairs approved in advance by the GTR will be reimbursed as a pass-through expense.

### **5.3.18. ONAP Properties**

Properties located on Indian or tribal lands and acquired as a result of foreclosure of a loan guaranteed under the Section 184 Loan Guarantee for Indian Housing Program may have specialized property management requirements. The GTR will provide the Contractor with written instruction to the extent the property management requirements of 5.3 are not applicable or additional property management tasks are required.

### 5.3.19. Property Management Performance Requirements Summary

PWS PERFORMANCE REQUIREMENTS REFERENCE	PERFORMANCE MEASURE	QUALITY ASSURANCE PROCEDURE	FREQUENCY	MINIMUM SATISFACTORY RATING	
5.3.2	Properties are free of health and safety hazards	Percentage of inspected properties where health and safety hazards are not observed	10% random sample of properties to be inspected by Special Property Inspectors.	Monthly	80%
5.3.2	Identified health and safety hazards are abated promptly	Percentage of identified health and safety hazards that are abated within 24 hours of discovery	GTR comparison of 100% of SPI reports with identified H&S hazards and work orders and photos on EMS	Monthly	95%
5.3.3	Properties are maintained in clean, safe, sanitary condition	Average score of all SPI inspections completed during period	SPI inspection scores	Quarterly	80

## 5.4 MARKETING

The Contractor shall analyze market and property conditions and develop a marketing strategy for the pricing and disposition of each property. The Contractor is required to select the best offer, execute sale documents, oversee the closing process, and ensure that sale proceeds are delivered to HUD in a timely manner. Although the PWS prescribes certain requirements for making decisions about how best to dispose each property, the Contractor has extensive ability to influence HUD's net return per property. The Contractor shall properly exercise its authority to sell properties in a manner that is consistent with the requirements of the PWS, achieves the greatest net return to the government, minimizes holding time and fulfills HUD's mission of preserving communities and promoting affordable housing.

In performing the tasks required under this section, the Contractor shall make all required reports, documents, inspections and information about property marketing and sale available on EMS. All sales shall be conducted in accordance with the applicable requirements of 24 CFR Part 291 Subparts A, B, C and F and HUD Handbook 4310.5 Rev 2 and any subsequent policy directive. As described in Section L, Instructions, Conditions and Notice to Offerors, the Contractor shall prepare a Marketing Plan that describes how the Contractor intends to meet or exceed the performance objectives of this PWS relative to each type of sale. Following contract award, the Contractor shall, as described in 5.5.1.1.2, provide to the GTR and Contracting Officer hardcopy and electronic copies of the final Marketing Plan no later than the post award conference. The GTR will review the final Marketing Plan as described in 5.5.1.2.1. HUD must accept each Plan in accordance with 5.5.1.2.1 before the Contractor can implement it. Changes to the Marketing Plan must be approved in writing by the GTR in advance of implementation. The Contractor shall utilize, in the priority order stated, those sales methods described in the PWS and may utilize only those alternative sales methods included in the Contractor's approved Marketing Plan.

### 5.4.1 Terms of Offering

Unless otherwise noted in this PWS or 24CFR Part 291, the following requirements apply to all sales.

- 5.4.1.1 **AS IS Sales** – Properties are offered to prospective purchasers AS IS without repairs or warranties. The AS IS nature of the offering does not amend the Contractor's responsibilities for property management described in 5.3.
- 5.4.1.2 **Disclosure of Property Condition** – The Contractor shall, through the Property Condition Report (5.3.4), Environmental Compliance Record (5.3.8) and other means, ensure that prior to execution of a sales contract, prospective purchasers have all available property condition information. The Contractor shall be liable for any costs incurred by the Federal Government as a result of the failure to disclose available information.
- 5.4.1.3 **Appraisal** - Prior to listing a property for sale and after the property is in ready to show condition in accordance with 5.3.3.1 and the Property Condition Report is completed, the Contractor shall obtain an AS IS appraisal performed by an FHA-roster appraiser. An electronic version of the appraisal and all photographs shall be posted on EMS. Appraisals shall be completed in accordance with the requirements outlined in Mortgagee Letters 1999-18 and 2000-27, HUD Handbook 4150.2 Chg-1 and any subsequent policy directive. The option in Mortgagee Letter 2000-27 of designating properties as "insurable with conditions" is not available.

- 5.4.1.3.1 **Contractor's Appraisal Review** - The Contractor shall review each appraisal to ensure that it is properly performed and fairly represents market value. Should the Contractor's appraisal review or quality control review identifies FHA-roster appraisers who perform poor work or who may have engaged in fraud or misrepresentation, the Contractor shall immediately notify the GTR in writing. The Contractor shall discontinue use of appraisers whose work is substandard. Results of the Contractor's appraisal quality control review shall be included in the monthly quality control review described in 5.1.7.2.
- 5.4.1.3.2 **HUD Appraisal Review** –HUD will conduct quality assurance appraisal reviews. If the HUD official with delegated authority removes an appraiser from the Appraiser Roster in accordance with 24 CFR 200.204, the GTR will instruct the Contractor to discontinue use of that appraiser. HUD will notify the Contractor of appraisers who have been removed from the appraiser roster and, in accordance with 5.4.1.3, the Contractor shall not use any of these appraisers to perform the requirements of this PWS.
- 5.4.1.3.3 **Providing Appraisals to Winning Bidders** – The Contractor shall, upon request and at no charge, provide one copy of the appraisal including attachments and clear photographs to the winning bidder for use in obtaining a mortgage loan. If, for any reason, the winning bidder's lender requires a new or updated appraisal report, the cost of that report will be the responsibility of the winning bidder. However, as described in Mortgagee Letter 2000-27, the lender for a winning bidder obtaining any type of FHA insured financing except a 203(k) rehabilitation mortgage must use the Contractor provided FHA appraisal report unless the report is more than six (6) months old on the date the sales contract is executed. The Contractor shall have no responsibility for monitoring lender compliance with this requirement.
- 5.4.1.3.4 **Appraisal Updates** – The Contractor shall obtain a new or updated appraisal report every six months until the property is sold. If the property is under contract for sale when the appraisal expires, the Contractor will not be required to obtain a new or updated appraisal unless the transaction is terminated and the property is returned to the market. If a property appraisal expires at any time during the period when the property is listed for sale as a \$1 Home or fifteen (15) calendar days before the initiation of the \$1 Home listing period, then the Contractor is only required to obtain a new or updated appraisal if (a) the \$1 Home listing period expires without resulting in an acceptable offer from a local government to purchase the property, or (b) the accepted offer from the \$1 Home listing period fails to result in a closing.
- 5.4.1.4 **Insurability** - The FHA appraisal report will indicate if a property meets FHA Minimum Property Standards (MPS), as defined in HUD Handbook 4905.1, for existing dwellings. With the exception of properties to be sold under the Asset Control Area (ACA) Program (5.4.2.5), the Contractor shall, in accordance with 24 CFR 291.100(c), advertise each property under one of the following programs: (1) Insurable if the appraisal indicates the property meets MPS, (2) Uninsurable if the appraisal indicates the property does not meet MPS, or if the property is located in a special flood hazard area in a community where flood insurance coverage under the National Flood Insurance Program is not available, or (3) Insurable with Repair Escrow if the appraisal indicates that a property would meet MPS if certain repairs (not to exceed \$5,000) are completed. Purchasers seeking FHA-insured financing to buy properties advertised as insurable with repair escrow are required by 24 CFR 291.100(c)(2) to establish and fund a repair escrow

with their lender in an amount determined by the lender to be sufficient to pay for the repairs. Notwithstanding any advertisement of the insurability of a property, pursuant to 24 CFR 203.255(b)(5) and as further described in Mortgagee Letter 2000-27, the originating lender is responsible for making the final determination whether a property meets MPS and, consequently, is eligible for FHA insurance. Insurability options are described in Mortgagee Letter 2000-27, with the exception that the “insured with condition” category is no longer available.

- 5.4.1.5 **Broker Price Opinion** – With the exception of properties to be sold under the ACA Program (5.4.2.5), the Contractor may obtain a broker price opinion (BPO) from the listing broker or one or more real estate broker(s) serving the local community where the property is located. The BPO valuation may be used in conjunction with the appraisal to determine list price if such use is included in the Contractor’s Marketing Plan and the Marketing plan describes the process through which the Contractor will reconcile differences between the appraised value and the BPO of more than ten (10) percent.
- 5.4.1.6 **Revitalization Areas** – Properties located in HUD designated revitalization areas may be sold at a discount under the programs described in this section. HUD uses a web-based geo-mapping tool called a Revitalization Area Locator (RAL) to verify whether an individual property is or is not located within a revitalization area.
- 5.4.1.6.1 **Verify Revitalization Area Status** - Prior to listing or offering any property for sale the Contractor shall access RAL ([http://hud.esri.com/egis/sf/revite/revite\\_open.htm](http://hud.esri.com/egis/sf/revite/revite_open.htm)) and determine whether the property is or is not located within a designated revitalization area by entering the street address and zip code in the on-screen dialogue boxes. RAL will return a statement indicating that the address (a) is located in a Revitalization Area (b) is not located in a Revitalization area or (c) could not be identified. The Contractor shall print the RAL screen providing verification of condition (a) or (b) and retain the verification in the property file and EMS. In the event that RAL is unable to identify the address the Contractor shall verify the correct spelling, number or address descriptor and retry the input. If further efforts to identify the property in RAL are unsuccessful, prior to listing the property for sale, the Contractor shall report the condition to the GTR and await the GTR’s determination of the property’s status.
- 5.4.1.6.2 **Contractor Responsibility** – The Contractor is responsible for ensuring that HUD’s discount programs are properly administered. The Contractor shall reimburse HUD for any loss to HUD resulting from the discounted sale of an ineligible property, the discounted sale of a property to an ineligible purchaser (such as non profits that are not eligible to participate in HUD programs), or a sale at an inappropriate discount level. HUD’s loss shall equal the discount given for an ineligible property, the discount given to an ineligible purchaser or the amount of discount given in excess of the appropriate discount level.
- 5.4.1.7 **Initial List Price** – The Contractor shall establish an initial list price that is no greater or lesser than five (5) percent of the AS IS appraised value and is based on the appraisal and other valuation information obtained as required by paragraph 5.4.1.3 (24 CFR 291.100 (b)) for all properties, except that the sales price of properties offered under the ACA Program shall be determined in accordance with 5.4.2.5.2 and 5.4.2.5.3.

- 5.4.1.8 **Minimum Acceptable Bid** – The Contractor shall determine for each property listed on a competitive basis, a minimum acceptable bid in the manner described in the Contractor’s Marketing Plan and record the minimum acceptable bid in the EMS file. The Contractor shall not disclose to the public, either the minimum acceptable bid for a property or the Contractor’s formula for determining minimum acceptable bids. Listings on a competitive basis are the Exclusive Listing Period (5.4.2.3.1) and Extended Listing Period at 5.4.2.3.2).
- 5.4.1.9 **Price Reductions** – The Contractor’s Marketing Plan shall include a provision to reanalyze properties that fail to sell within 45 days from the Initial List date (24 CFR 291.205 (f)). The Contractor may reduce the price or change the terms of sale based on the reanalysis provided the changed sales terms are consistent with the PWS and 24 CFR Part 291. Unless otherwise directed by the GTR, when the reanalysis results in a change in the price or sale terms, the Contractor shall determine, based on their Marketing Plan whether to offer the property on an Exclusive Listing basis or continue on the Extended Listing basis. All price reductions and changes in sale terms shall be documented in SAMS and EMS. The Contractor shall not disclose to the public its strategy for price reductions.
- 5.4.1.10 **Use of Listing Brokers** - The Contractor is required to utilize the services of local real estate professionals whose primary place of business is within reasonable proximity to the listed property, including the use of small and small disadvantaged businesses, to list properties for sale. The Contractor shall be solely responsible for paying listing brokers’ listing commissions or other fees related to listing properties for sale. HUD will not pay any compensation to a listing broker, except that a listing broker may be entitled to a sales commission when representing the purchaser of a HUD-owned property in a dual agency capacity. The Contractor shall not permit or require a Selling Broker to split with the listing broker the broker’s sales commission (including any authorized Selling Broker bonuses or incentives) paid to the Selling Broker by HUD. The Contractor shall comply with the conflict of interest provisions of 5.1.14 that address listing brokers and their limited rights to earn a broker’s sales commission (including any authorized Selling Broker bonuses and incentives). The Contractor shall ensure that listing brokers provide wide market exposure for HUD-Owned Properties and allow all brokers, regardless of their participation in a Multiple Listing Service, an equal opportunity to show and sell HUD-owned properties. The Contractor’s Marketing and Quality Control Plans shall address how the Contractor intends to accomplish these requirements.
- 5.4.1.11 **Signage and Advertising** – The Contractor shall ensure that properties listed on a competitive basis are advertised in a manner that provides wide market exposure. The cost of all advertising, signage and Multiple Listing Services, if used, shall be the responsibility of the Contractor. All signage or advertising must include the Equal Housing Opportunity logo. Any signage or advertising that references HUD or otherwise identifies a property, as being owned by the Federal Government must be approved in advance by the GTR.
- 5.4.1.12 **Internet Marketing** – The Contractor shall establish and maintain a public Internet web site that lists all properties listed on a competitive basis and those offered through a Lottery as described in 5.4.2.2.3. The list on the web site shall be searchable for properties by city, zip code, state and list price. At a minimum the site shall provide specific information about each property currently available for sale including a color photograph of the property, a description of features, sale price, the Property Condition Report required in 5.3.4, and all applicable contract addendums. The Internet marketing site shall also provide general information about HUD sale programs;

provide instructions and information for potential purchasers and real estate professionals, including downloadable copies of all relevant sale documents, addendums and certifications; and provide for electronic receipt and acceptance of purchase bids. The information on the Marketing web site shall either be available in both English and Spanish or the Contractor's site shall provide an alternative means for Spanish speakers to obtain information about HUD-home sales.

- 5.4.1.13 **Federal Asset Sale Website** – At the direction of the GTR the Contractor shall provide duplicate property listing information or links from its Internet marketing site to a Federal Asset Sale website that may, at some future time, be established by the Federal Government to consolidate the dissemination of information regarding the sale of all government real estate assets.
- 5.4.1.14 **Selling Broker Registration** – Only licensed real estate brokers who have registered with HUD and received a Name and Address Identifier (NAID) may submit bids on behalf of prospective purchasers. The Contractor shall periodically provide broker/agent training to ensure that Selling Brokers are familiar with HUD's property disposition policies and procedures.
- 5.4.1.14.1 **Processing NAID Applications** - The Contractor shall collect and review for accuracy the SAMS Forms received from licensed real estate brokers to ensure that the application includes a copy of a valid real estate license. Additionally, the Contractor shall conduct a diligent investigation in accordance with its Marketing Plan and to the best of its knowledge, ensure that the applicant (i) is not currently registered with HUD, (ii) is not listed on the General Service Administration's Suspension and Debarment List, HUD's Limited Denial of Participation List, or (iii) has not been found guilty of, or entered into a plea for an offense that may reflect on the applicant's character or integrity. The Contractor shall send reviewed applications to the GTR for completion of processing no later than five (5) business days from date of receipt of acceptable package. The Contractor's Internet bidding system shall be structured to block bids that are submitted by Selling Brokers who do not have a valid NAID number.
- 5.4.1.14.2 **Re-certification of Selling Brokers** –Selling Broker eligibility must be re-certified annually. The Contractor shall post annual re-certification requirements on its web page. The Contractor shall mail a re-certification letter, requesting a copy of a current license and resubmission of SAMS Form 1111, to each Selling Broker during the month of the anniversary date of NAID number assignment. Upon receipt from Selling Brokers, the Contractor shall send completed re-certification packages to the GTR. Additionally, the Contractor shall provide the GTR with a list of all Selling Brokers who fail to re-certify within thirty (30) days of the date of the re-certification letter.
- 5.4.1.15 **Sales Commissions** – The amount of the sales commission to be offered by HUD shall be determined by the Contractor as described in its Marketing Plan but in no event shall the advertised commission exceed five (5) percent of the bid price except as indicated below for hard to sell properties. Upon submission of a bid the Selling Broker shall enter on the commission line of the HUD sales contract (currently line 6(a)) the actual commission to be paid. The commission paid on discounted sales shall be based on the bid price before any discounts are deducted. The amount of the Selling Broker commission shall be deducted from the Seller's proceeds on the Form HUD-1 Settlement Statement.

5.4.1.15.1 **Hard to Sell Properties** – The Contractor may, as described in its Marketing Plan, offer higher commissions not to exceed ten (10) percent of bid price on properties that the Contractor has defined as hard to sell. This may include vacant lots, properties with very low market value relative to the surrounding market, properties in remote areas not served by local real estate professionals or properties with unusual features that will inhibit sale.

5.4.1.15.2 **Sales Incentives and Bonuses** – At the direction of the GTR, the Contractor shall participate in sales promotions involving purchaser or Selling Broker incentives and bonuses. Additionally, the Contractor may request permission from the GTR to offer sales incentives or bonuses as necessary to improve sales performance in a specified market area. If approved in writing by the GTR, the amount of any incentive or bonus will be deducted at settlement from the seller's proceeds on the Form HUD-1, Settlement Statement.

#### 5.4.2 **Sales Methods and Listing Priority**

HUD offers properties for sale through direct and competitive sale methods. In direct sales, properties are generally sold directly to a specific purchaser without first being listed for sale on a competitive basis, though under certain circumstances, properties may be removed from the market to facilitate a direct sale. Many, but not all direct sales involve a discounted sale to an eligible purchaser in support of HUD's mission of preserving communities and promoting affordable housing. Direct sales are sales resulting from a tenant's exercise of their right of first refusal, the ACA Program, a written finding by HUD that the sale would be in the Secretary's best interest, the Lottery Period, or the \$1 Home listing period. The majority of HUD properties however, are sold on a competitive basis. Competitive sales are sales resulting from the Exclusive Listing Period or the Extended Listing Period. Competitive sales may also involve a discount. HUD has established by regulation a specific priority for offering properties for sale that is illustrated in the flow chart in Section J-Attachment 8. The Contractor shall incorporate this priority into its Marketing Plan.

5.4.2.1 **Tenant's Right of First Refusal** – In accordance with 24 CFR 291.100(a)(3), prior to disposing of any property under any sales method, the Contractor shall offer tenants who occupy HUD-Owned Properties as a result of an approved occupied conveyance the opportunity to purchase the occupied property on a non-competitive basis prior to offering it to any other purchaser. The sale price on a right of first refusal transaction shall be the appraised value as determined in 5.4.1.3. The Contractor shall offer a right of first refusal only if (i) the tenant has executed a valid lease with HUD, a good history of rent payments, a demonstrated ability to obtain financing in an amount necessary to purchase the property at the list price and made a request to be offered the right of first refusal; or (ii) State or local law requires that tenants be offered a right of first refusal. The Contractor shall perform all investigations necessary to determine tenant eligibility for this right and shall provide eligible tenants with the Letter to Tenant – Right of First Refusal found in HUD Handbook 4310.5 Rev-2, Appendix 69. Pursuant to 24 CFR 291.100(a)(2), former mortgagors who have defaulted on an FHA-insured mortgage loan are not eligible for a right of first refusal.

5.4.2.2 **Direct/Discounted Sales** – The Contractor shall assist HUD in the disposition of properties through a variety of discount sale programs that support HUD's mission of preserving communities and promoting affordable housing. HUD offers discounts to police officers, teachers, qualified nonprofit organizations and government entities under the terms and conditions described below. From time to time HUD may amend, add or discontinue use of some discount sale programs. Following written notice of such a change, the Contractor shall adjust

its marketing and administrative activities to accommodate these changes. Discount sales shall be conducted in accordance with the requirements of HUD Handbook 4310.5 Rev 2, Chapter 10, paragraphs 10 through 20, Housing Notices 1994-72 and 1994-74 and Mortgage Letters 2001-30, 2002-01 and any subsequent policy directive.

**5.4.2.2.1 Officer/Teacher Next Door (OND/TND) Program** – The Contractor shall offer single-unit properties located in Revitalization Areas to eligible purchasers under the OND/TND programs at a fifty (50) percent discount off the list price. Eligible purchasers under the OND/TND programs include (i) full-time law enforcement officers, (ii) full time teachers and (iii) qualified nonprofit organizations and government entities, that either (a) assign the sales contract directly to an eligible officer or teacher or (b) conduct a three-party closing with an eligible officer or teacher. All sales under the OND/TND programs shall be in accordance with 24 CFR Part 291 Subpart F for OND sales, TND Initiative Notice published in the Federal Register (FR) on December 7, 1999, 64 FR 68370, for TND sales and Housing Notice 1999-30 subject to the following exceptions The option in Housing Notice 1999-30 for a qualified nonprofit organization or government entity to purchase a property under the OND/TND Program, rehabilitate the property, and resell the property to an eligible officer or teacher for no more than 110 percent of the net development cost is not available. The option in Housing Notice 1999-30 for officers and teachers to receive the fifty percent (50%) discount during the competitive sales listing periods is not available. The fifty percent (50%) discount is only available during the Lottery Period described at 5.4.2.2.3.

**5.4.2.2.1.1 Eligibility Screening** – The Contractor shall be responsible for screening the eligibility of prospective OND/TND participants based on the guidelines set forth in Section J- Attachment 10 – Officer and Teacher next Door Direct Sales Program, Programmatic Controls for Officer/Teacher Next Door Programs, Housing Notice 1999-30 and any subsequent policy directive. Officers and teachers must certify on Form HUD-9548-A that they will own and use the purchased property as their sole residence and will own no other residential real estate for the three years following the HUD closing. Prior to executing a sales contract, the Contractor must review the Form HUD-9548-A to ensure that it is accurately completed and contains no evidence of fraud, verify the certification of employment on the Form HUD-9548-A, and obtain from the appropriate HOC the results of a database search on each officer and teacher to determine whether the officer or teacher owns any other real estate properties. The Contractor shall not allow the closing of a sale transaction if the officer or teacher owns other residential real estate. The Contractor shall reimburse HUD for the loss resulting from the discounted sale to an ineligible participant when such sale resulted from the Contractor’s failure to properly conduct the required screening. HUD’s loss shall equal the discount given to the ineligible purchaser. The Contractor shall not be liable for fraudulent actions or representation by OND/TND participants unless the Contractor, its employees, agents or Subcontractors, knew or should have known about the fraudulent activity or representation.

**5.4.2.2.1.2 Document Delivery** - The Contractor shall ensure that each OND/TND sale closes in a timely and accurate manner in accordance with 5.4.4 and that the Closing Agent complies with the note and second mortgage execution, recording (as to mortgage) and document delivery requirements of OND/TND sales.

5.4.2.2.2 **Discount Sales to Qualified Nonprofits and Government Entities** – Qualified nonprofit organizations and government entities may purchase HUD owned properties at a discount in accordance with 24 CFR 291-210(a), Mortgagee Letter 2001-30, Housing Notices 1994-72 and 1994-74, HUD Handbook 4310.5 Rev 2, Chapter 10 and any subsequent policy directive. Those entities approved to purchase are listed on the HUD Nonprofits Roster on HUD’s website at ([http://www.hud.gov/offices/hsg/sfh/np/np\\_hoc.cfm](http://www.hud.gov/offices/hsg/sfh/np/np_hoc.cfm)).

5.4.2.2.2.1 **Approved Purchase Areas** - Qualified nonprofit organizations and government entities notify HUD of their interest in acquiring HUD owned property in specific areas and are only approved to purchase properties in those areas. These areas of interest are recorded in the RAL geo-mapping system described in 5.4.1.6. Prior to acceptance of a bid from a qualified nonprofit or government entity, the Contractor shall enter the property address in RAL to determine if the property is located in an approved purchase area for the prospective purchaser. The Contractor shall only permit a qualified nonprofit organization or government entity to purchase a property located within its approved purchase area.

5.4.2.2.2.2 **Uninsurable Properties** - Prior to listing any uninsurable property for sale, the Contractor shall utilize RAL to determine if the property is located in an approved purchase area of a qualified nonprofit organization or government entity. If so, the Contractor shall make the property available during the Lottery Period described in 5.4.2.2.3 to those parties whose approved purchase area covers the location of the property. Additionally, qualified nonprofits and government entities may purchase uninsurable properties located in their approved purchase area during the Exclusive (5.4.2.3.1) or Extended (5.4.2.3.2) Listing Period. Unlike the Lottery Period, where qualified nonprofits and government entities may only submit bids for the full list price, during the Exclusive and Extended Listing Periods, these groups may submit a bid in any amount. Regardless of method of sale, at closing the qualified nonprofit or government entity shall receive the appropriate discount off the bid price.

5.4.2.2.2.3 **Insurable Properties** - During the Exclusive (5.4.2.3.1) or Extended (5.4.2.3.2) Listing Period, qualified nonprofit organizations and government entities may purchase insurable properties located in an area where they are approved to purchase and will, at closing receive the appropriate discount off the bid price.

5.4.2.2.2.4 **Discounts** – The Contractor shall provide discounts to qualified nonprofit organizations and government entities in the following manner; (a) Insured/Uninsured single-unit properties located within a revitalization area and sold under the OND/TND program, fifty (50) percent of the list price, (b) Uninsured Properties located within a Revitalization Area, thirty (30) percent of the sales price, (c) Insured/Uninsured properties located outside of a Revitalization Area and Insured Properties located within a Revitalization Area, ten (10) percent of the sales price, (d) Insured/Uninsured properties located outside of a Revitalization Area and Insured Properties located in a revitalization area will receive a fifteen (15) percent discount if five or more bids are accepted from a single purchaser within a fifteen (15) business day period and they are closed in a single transaction.

5.4.2.2.2.5 **Pending Rule Change to Net Offer Calculation** – The net offer calculation prescribed in 24 CFR 291.205 (b) (1) does not subtract from the bid price the amount of any discount available to a qualified nonprofit organization or government entity. In order to increase sales to individual purchasers who will occupy the property as a principal residence HUD is considering regulatory amendments that would, if implemented, require the Contractor to deduct the amount of any discount available to a qualified nonprofit organization or government entity from the bid price when calculating the net offer. If such regulations are implemented, the Contractor shall immediately implement this change without additional cost to HUD. This change will not apply to discounts available to OND/TND purchasers.

5.4.2.2.3 **Lottery Period** – Single-unit properties located in Revitalization Areas and uninsurable properties located in approved purchase areas of a qualified nonprofit or government entity shall be listed for sale on the Contractor’s Internet web site for a period of five (5) calendar days. During this period, prospective Officer/Teacher Next Door participants may submit bids for single unit properties in revitalization areas in accordance with paragraph 5.4.2.2.1, and qualified nonprofit organizations and government entities may submit bids for uninsurable properties located within their approved purchase areas.

5.4.2.2.3.1 **Bid Amount** – All bids submitted during the Lottery shall be equal to the list price of the property. Bids received for any amount other than the list price shall be disqualified.

5.4.2.2.3.2 **Selection of Winning Bidder** - At the end of the five (5) day Lottery Period, the Contractor shall select by random drawing of lots, one winning Offeror and, if there are sufficient bids, at least one back up Offeror as follows:

5.4.2.2.3.2.1 **Insured, single-unit properties within a Revitalization Area** - Only offers from OND/TND participants may be accepted.

5.4.2.2.3.2.2 **Uninsured, single-unit properties within a Revitalization Area** - Only offers from OND/TND participants, qualified nonprofit organizations and government entities whose approved purchase area covers the location of the property, may be accepted, however, in the event of competing bids, preference is given to individual officer and teacher participants wherein the winning and back up Offeror are first selected from individual officers and teachers bidding under OND/TND, second from nonprofit organizations and government entities bidding under OND/TND, and third from other qualified nonprofit organizations and government entities.

5.4.2.2.3.2.3 **Uninsured, multi-unit properties within a Revitalization Area** - Only offers from qualified nonprofit organizations and government entities whose approved purchase area covers the location of the property may be accepted.

5.4.2.2.3.2.4 **Uninsured properties in a non-Revitalization Area** - Only offers from qualified nonprofit organizations and government entities whose approved purchase area covers the location of the property may be accepted.

5.4.2.2.3.3 **Back Up Offers** – If more than one offer is submitted under the lottery process the Contractor shall hold at least one unsuccessful offer as a back up. The Contractor shall give priority to OND/TND offerors in the selection of backups for single unit properties in Revitalization Areas.

5.4.2.2.3.4 **Submission of Contract** - The Contractor shall notify the winning bidder that they have two (2) business days to submit a fully executed sales contract. If an executed sales contract is not received within the required time period, the Contractor shall notify the back up bidder, if any, that they have two (2) business days to submit a fully executed sales contract or the property will move to the Exclusive Listing Period.

5.4.2.2.4 **Other Direct Sales** – From time to time properties may be offered directly for sale to an individual, nonprofit or government entity upon a written finding by HUD that the sale is in the best interest of the Secretary. The GTR will notify the Contractor of the purchase price and terms of these direct sale transactions. Generally, “Other Direct Sales” will take place before a property is offered through either Lottery, Exclusive or Extended listings, however, at the direction of the GTR a property may be removed from any of these listing stages to complete a direct sale.

5.4.2.3 **Competitive Sales** -The great majority of properties sold through HUD’s disposition program are listed for sale and sold on a competitive sale basis, though preference in bidding priority and discounted sale prices may be available to owner occupant bidders in support of HUD’s mission to expand affordable housing opportunities. There are two stages in the competitive sale process: Exclusive Listing and Extended Listing. After a property has been offered for sale on a competitive basis for six (6) months it becomes eligible for sale through the \$1 Home Program as set forth in 5.4.2.4. Properties not sold through the \$1 Homes Program are returned to the Extended Listing.

5.4.2.3.1 **Exclusive Listing Period** – All properties that are not subject to or did not sell through the sales methods listed in 5.4.2.1, and 5.4.2.2, shall be listed on the Contractor’s Internet web site for a period of ten (10) calendar days during which time only bids received from individual purchasers who intend to occupy a property as their primary residence, qualified nonprofit organizations and government entities may be submitted. Qualified nonprofits and government entities are entitled to purchase properties at a discount during this period in accordance with the discount provisions of 5.4.2.2.4.

5.4.2.3.1.1 **Duration of Exclusive Listing Period** – From time to time, the GTR may instruct the Contractor to change the number of days for the Exclusive Listing Period but in no event will the Exclusive Listing Period exceed a total of thirty (30) days (24 CFR 291.205 (d)). The duration of the Exclusive Listing Period may differ based on the property’s location.

5.4.2.3.1.2 **Bid Opening** - The Contractor shall treat all bids received during the Exclusive Listing Period as having been received simultaneously and shall open them at the end of the period.

5.4.2.3.1.3 **Winning Bid** –the Contractor shall accept the bid that is equal to or greater than the minimum acceptable bid and, subject to the exception in 24 CFR 291.205(i), results in the greatest net offer for HUD. The net offer shall be calculated by subtracting from the

bid price the dollar amounts for the closing costs and real estate sales commissions actually paid by HUD (24 CFR 291.205 (b) (1)). The Contractor shall treat multiple bids from the same bidder as prescribed in 24 CFR 291.205 (i)). The Contractor shall treat identical net offers submitted by different bidders as prescribed in 24 CFR 291.205 (j). If all bids received are unacceptable, the Contractor shall (i) request GTR concurrence to accept a bid that is less than the minimum acceptable bid and document in EMS the rationale why acceptance of such a bid would be in HUD's best interest, (ii) counteroffer in accordance with 24 CFR 291.205(l), or (iii) reject all bids and list the property under the extended listing period. If the Contractor elects to counteroffer, it shall provide an identical counteroffer to all bidders and identify the bid period for resubmitting bids. The Contractor shall post on its Internet web site the counteroffer and period for resubmitting bids. If the Contractor elects to provide a counteroffer, pursuant to 291.205(l), the highest acceptable net bid received within the specified time period shall be accepted.

5.4.2.3.2 **Extended Listing Period** - Properties not sold during the Exclusive Listing Period shall be offered for sale to all classes of bidders. Bids will be opened at the end of each business day. All bids received on the same business day of the extended listing period shall be considered as being received simultaneously and will be considered together. The Contractor shall follow the procedures in 5.4.2.3.1.3 to determine the winning bidder. Qualified nonprofits and government entities are entitled to purchase properties at a discount during this period in accordance with the provisions of 5.4.2.2.2.4.

5.4.2.4 **\$1 Home Sales** – When a property has been offered for sale for one hundred eighty (180) calendar days and is not under a sales contract, it shall be offered for sale to agencies of local government for a sales price of \$1 plus closing costs. The Contractor shall offer eligible properties to an agency of local government in accordance with Housing Notices 2000-07, as extended by Housing Notice 2002-02 and Housing Notice 2001-06, any subsequent policy directive. Properties that are not sold shall be relisted on the Extended Listing during which time agencies of local government shall continue to be offered the ability to purchase such properties for \$1.

5.4.2.5 **Asset Control Area (ACA) Program** – Under the ACA Program, HUD agrees to sell, to an eligible participating entity, all vacant HUD-Owned properties that are acquired in designated areas. An eligible participating entity may be a local, county or state government or a qualified nonprofit organization that has executed a written ACA Agreement. The ACA Agreement will describe, among other terms, the geographic boundaries of the ACA, the level of discount applicable, how the discount will be calculated and the type of assets that the ACA Participant will acquire (i.e. only single unit properties, 2 - 4 unit properties, mixed use properties, etc.). ACA sales are not subject to the Terms of Sale described in 5.4.3 except for the provisions at 5.4.3.9, 5.4.3.10 and 5.4.3.11. The Contractor shall facilitate the direct sale of properties located in designated ACA areas in accordance with the terms of the ACA Agreement(s) and HUD guidelines and policies that will be provided to the Contractor by the GTR. Specific Contractor responsibilities include:

5.4.2.5.1 **Property Management** – The Contractor shall verify acquisition, inspect, secure and maintain properties in ACA areas in accordance with the requirements of 5.3 from the date of acquisition until closing of a sale to an ACA Participant, except that the provisions of 5.3.4, 5.3.8 and 5.3.9 do not apply. Generally, ACA properties will remain in the Contractor's

- inventory for 60 to 90 days, though demolitions, valuation appeals and other factors may prolong the period of time the Contractor is responsible for property maintenance.
- 5.4.2.5.2 **Notice of Designation** – At the direction of and in a form to be provided by the GTR, the Contractor shall provide an initial list to each new ACA participant of the properties within the ACA boundaries that HUD anticipates will be sold to the ACA participant. With respect to established ACA agreements, the Contractor shall provide a weekly list, in a format to be provided by the GTR of properties acquired during the prior week that HUD anticipates will be sold to the ACA participant. Unless otherwise instructed by the GTR occupied properties and environmentally impacted properties (properties containing lead based paint; asbestos and radon are not considered environmentally impacted) will not be designated for sale to ACA participants.
- 5.4.2.5.3 **Valuation** – For those property types specified in the ACA Agreement, the Contractor shall obtain an appraisal in accordance with 5.4.1.3 no later than fourteen (14) calendar days from the date of acquisition.
- 5.4.2.5.4 **Determination of Discount** - The Contractor shall, based on the appraised value of the property, determine the applicable discount and purchase price in accordance with the terms of the ACA Agreement.
- 5.4.2.5.5 **Preparation and Delivery of Sale Documents** – The Contractor shall prepare a Notice of Acquisition (NOA) in a form to be provided by the GTR, that includes the purchase price and a closing date that is forty-five (45) calendar days from the date following receipt of the sales contract. The Contractor shall deliver the NOA and an original copy of the appraisal to the ACA Participant no later than twenty-one (21) calendar days from the date of acquisition. No later than five (5) business days from the date of the NOA, the ACA Participant must either return the executed NOA to the Contractor or provide a written notice of appeal of the appraised value. If the ACA Participant returns a signed NOA, the Contractor shall notify the Closing Agent in accordance with 5.4.4.1.1.
- 5.4.2.5.6 **Re-appraisals** – Upon receipt of a written notice of appeal of the appraised value the Contractor shall obtain a second appraisal from a different appraiser, prepared in accordance with 5.4.1.3 and no later than fourteen (14) calendar days from receipt of the appeal shall deliver a revised NOA to the ACA Participant with a copy of the new appraisal. The final purchase price shall be calculated based on the second appraisal.
- 5.4.2.5.7 **Value of Re-appraisal** – If there was no change in the property value, or the deviation in value of the second appraisal is less than twenty percent (20%) of the original appraisal, the ACA participant will be charged the cost of the appraisal as a buyer's expense at closing and the Contractor will be paid the cost of the re-appraisal from closing proceeds. If the deviation in value of the second appraisal is more than twenty percent (20%), the Contractor shall bear the cost of the second appraisal.
- 5.4.2.5.8 **Transition Appraisals** - In areas where an ACA Agreement has recently been established and the Contractor has already obtained appraisals, in accordance with 5.4.1.3, for properties to be sold to the ACA participant, the Contractor may use an existing appraisal provided that

the appraisal has not expired. Should the ACA participant appeal the value of the appraisal, the Contractor shall follow the procedures in 5.4.2.5.6.

5.4.2.5.9 **ACA Demolitions** – If the appraised value of a property is less than or equal to \$10,000 the Contractor shall contact the ACA participant and determine if they elect demolition or wish to accept the property as is. If the ACA participant elects demolition the Contractor shall prepare a NOA reflecting a purchase price of \$1.00 and a closing date that is after the expected completion of the demolition and deliver it with the appraisal to the ACA Participant. The ACA Participant shall have five (5) business days from the date following receipt of the NOA to return the signed sales contract. The Contractor shall arrange and pay for demolition, prior to closing, in accordance with the Historic Preservation requirements of 5.3.16. All demolition costs approved in advance by the GTR will be reimbursed as a pass-through expense.

5.4.2.5.10 **Closing Oversight** – The Contractor shall ensure that ACA sales close in a timely manner in accordance with 5.4.4.2.

5.4.2.5.11 **ACA Status Reporting** - The Contractor shall prepare and post on EMS a weekly ACA Report on the first business day of each week. The GTR will provide a format for the report but, at a minimum, it will include the number of eligible properties acquired in each ACA area, NOAs delivered to the participant, executed NOAs, demolitions pending, valuation appeals pending, delayed closings and properties closed.

5.4.2.5.12 **Housing Program Officers** – Within each Homeownership Center, HUD staff, referred to as Housing Program Officers (HPOs), have been assigned to work closely with ACA Participants. Often the Contractor will work directly with HPOs to facilitate the sale of ACA properties. Should the Contractor receive instruction from an HPO that is inconsistent with the terms of the PWS, the Contractor shall immediately notify the GTR and request instruction.

5.4.2.5.13 **Program changes** – The ACA program policies and procedures have not been finalized and may require minor changes to the above-described tasks.

5.4.2.6 **Sale of Properties on Indian or Tribal Lands** – The GTR will provide written instruction to the Contractor regarding specific marketing and sale restrictions and requirements, if any, for properties located on Indian or tribal lands. These properties may involve a lease-hold and the potential purchasers may be limited to tribal members by the terms of the lease-hold.

### 5.4.3 **Terms of Sale**

The Contractor shall accept or reject all offers to achieve HUD’s objectives under this PWS and in accordance with HUD Handbook 4310.5 Rev 2, Chapter 10 and 24 CFR 291.205 and 291.210. Under a limited power of attorney from the Secretary the Contractor shall execute HUD approved sale documents. The Contractor shall include in its Marketing Plan procedures for timely processing of offers.

5.4.3.1 **Qualified Purchasers** – The Contractor shall adhere to the requirements and restrictions of 24 CFR 291.100 (a), “Qualified purchaser”, when offering properties for sale or accepting purchase offers.

- 5.4.3.2 **Use of Real Estate Brokers** – The Contractor shall only accept offers from bidders during the Exclusive or Extended Listing Periods, when submitted by a real estate broker licensed to do business in the state where the property is located (24 CFR 291.205 (a)(1)). The requirement to use a real estate broker during the competitive bid period does not apply to bids from qualified nonprofit organizations or government entities. In accordance with the commission structure in 5.4.1.15 and the Contractor’s Marketing Plan, HUD will pay Selling Broker commissions at closing in accordance with the amount indicated on the sales contract.
- 5.4.3.3 **Sales to Owner Occupants** – Within the HUD disposition program, individual purchasers who intend to occupy a property as a principal residence, qualified nonprofit organizations and government entities are all considered to be owner occupant purchasers. It is HUD’s intention to encourage sales to owner occupant purchasers.
- 5.4.3.3.1 **Certification** – Potential purchasers that intend to occupy a property as a principal residence are required in accordance with Housing Notice 2003-1, to complete a certification indicating that they (i) will occupy the property as their primary residence for at least twelve (12) months and (ii) have not purchased as an owner-occupant any other property from HUD in the prior twenty-four (24) month period. The Contractor shall access SAMS to determine the accuracy of the potential purchaser’s certification that he/she has not purchased as owner-occupant another property from HUD in the prior twenty-four (24) month period and shall not accept a bid from any individual listed in SAMS as a previous owner-occupant purchaser of HUD property unless directed to do so by the GTR.
- 5.4.3.4 **Back Up Offers** – The Contractor’s Marketing Plan shall include procedures for holding unsuccessful but acceptable bids as back up offers. The Plan should specifically identify the Contractor’s plan to hold owner-occupant bids submitted during the Exclusive Listing Period.
- 5.4.3.5 **HUD Contract** – The Contractor shall ensure that the form of sales contract approved by HUD including any addendums, certifications and required disclosures is used for all sales and that all contracts are properly completed and executed. The Contractor shall not modify the HUD sales contract form, or include or attach any addendums without the prior written approval of the GTR.
- 5.4.3.6 **Acceptance of Contracts** - The Contractor shall notify the winning bidder(s) that they have two (2) business days to submit a fully executed sales contract or the bid will be awarded to the back up bidder, if any. If an executed sales contract is not received within the required time period, the Contractor shall notify the back up bidder, if any, that they have two (2) business days to submit a fully executed sales contract or the property will be re-offered for sale in accordance with the offering priority in Section J-Attachment 8.
- 5.4.3.7 **Closing Costs** – If requested by the purchaser on the seller contribution line of the sales contract (currently line 5) HUD will pay allowable closing costs as defined by Housing Notice 2003-2, or any subsequent policy directive, not to exceed the maximum amount prescribed by the HOC REO Directors, which may range between three (3) and five (5) percent of the purchase price of the property (see 24 CFR 291.205 (b) (2)). As directed by the GTR, some direct sales including but not limited to sales of ACA properties are not eligible for closing cost assistance.

- 5.4.3.8 **Earnest Money** – Earnest money requirements for competitive sales are prescribed in 24 CFR 291.205 (h). HUD requires that all bids received during the Exclusive or Extended Listing Periods, be backed by earnest money in the form of cash or certified funds and that the Selling Broker, if used, submit with the bid, a certification that the earnest money has been deposited in the Selling Broker’s escrow account. No later than seventy-two (72) hours following receipt of a signed sales contract, the Selling Broker may be required to deliver the funds to HUD’s Closing Agent in accordance with local custom. Earnest money is not required on ACA sales.
- 5.4.3.8.1 **Amount** - The amount of earnest money deposit required for a property with a sale price of \$50,000 or less is \$500, except that for vacant lots the amount is fifty (50) percent of the list price. For a property with a sales price greater than \$50,000 the amount of the earnest money may be between \$500 and \$2,000 as described in the Contractor’s Marketing Plan.
- 5.4.3.8.2 **Forfeiture** - Earnest money deposits shall be forfeited or refunded in whole or in part for failure to close a sale as described in HUD Handbook 4310.5 Rev 2, paragraph 10.18E and F or as provided in 5.4.3.12.
- 5.4.3.9 **Financing** – Except as provided in 5.4.3.10, purchasers are entirely responsible for obtaining financing to purchase a property (24 CFR 291.100 (d)).
- 5.4.3.10 **Purchase Money Mortgages** - HUD may, at its sole discretion take back purchase money mortgages (PMMs) on properties purchased by qualified nonprofit organizations or government entities (24 CFR 291.100(d)(2)).
- 5.4.3.11 **Flood Insurance Notification** –The Contractor shall notify the Closing Agent that flood insurance must be obtained as a condition of closing for all improved properties located in a special flood hazard area where flood insurance is available through the National Flood Hazard Insurance Program, even if it is not required by the Purchaser’s lender, if any. This requirement does not apply to vacant lots, properties sold to ACA partners that are scheduled for demolition or properties sold without any type of Federal Assistance including, but not limited to discounts, PMM’s, sales incentives and closing cost assistance.
- 5.4.3.12 **Inspection Contingency** – Purchasers shall have fifteen (15) calendar days from the date of the Purchaser’s signature on the sales contract to conduct, at the Purchaser’s expense, any inspections, tests or risk assessments desired by the Purchaser. This period will run concurrently with the lead-based paint contingency described in 5.3.8.1.4. If the Contractor, prior to expiration of the inspection contingency period, receives written notice of the purchaser’s withdrawal from the sales contract, the purchaser’s obligation to purchase the home shall be terminated. Except as provided in 5.3.8.1.4, owner occupant purchasers shall be entitled to a refund of earnest money, only if the purchaser provides a copy of a home inspection report that identifies serious problems with the property that were not previously identified by the Contractor and these conditions will not be corrected by the Contractor.
- 5.4.3.13 **Damage After Acceptance of a Sales Contract**– If damage from any cause including vandalism, occurs after acceptance of a sales contract, the Contractor shall at its expense, remove any graffiti from private and public surfaces on the property; repair, to their prior condition, all locks, doors and windows; and immediately repair any health or safety hazard as required by 5.3.2. Damage to appliances shall be governed by 5.4.3.13.2.

5.4.3.13.1 **Other Vandalism Damage** – If the damage is not a type which the Contractor is responsible for repairing at its own expense in accordance with 5.4.3.13, the Contractor shall obtain estimates needed to return the property to its condition at time of acceptance of the sales contract and provide the estimates with a repair recommendation to the GTR. With GTR approval, the Contractor shall either repair the damage, negotiate a contract price adjustment, or approve a credit to be paid to the buyer from the seller's proceeds in lieu of performing repairs prior to closing. HUD shall reimburse the Contractor for the cost of the approved repairs as a pass-through expense provided that HUD does not determine that the vandalism is due to the Contractor's failure to properly secure the property against unauthorized entry or that the Contractor has engaged in (or permitted) a pattern or practice of failing to secure properties.

5.4.3.13.2 **Missing Appliances** - If appliances are damaged or removed from the property due to vandalism after acceptance of a sales contract, the Contractor shall, with GTR approval, replace the missing appliances, repair damaged appliances, approve a contract price adjustment, or approve a credit to the buyer to be paid from the seller's proceeds. HUD, based on the following schedule will reimburse the Contractor as a pass through expense or credit the purchaser on the HUD-1 Settlement Statement for the installation or repair of new appliances: \$200 for a range; \$250 for a refrigerator; \$150 for a dishwasher and \$500 for a central air conditioner compressor. Appliance repair or replacement actually completed by the Contractor will be reimbursed as a pass-through expense based on actual costs not to exceed the replacement allowance, provided that HUD does not determine that either the damage is due to a failure to properly secure the property against unauthorized entry or the Contractor has engaged in (or permitted) a pattern or practice of failing to properly secure properties against unauthorized entry.

#### 5.4.4 **Terms of Closing**

The following provisions apply to all sale types including sales to ACA participants.

5.4.4.1 **HUD Designated Closing Agents** – Closings are conducted by HUD designated closing Agents. One or more Closing Agents may be designated in each contract area. The Contractor shall familiarize itself with the Closing Agent's responsibilities and duties, as both are defined in paragraphs 11-16 of HUD Handbook 4310.5 Rev-2 and the Closing Agent contract(s) to be provided by the GTR at the post award conference. Closing Agent duties may vary from contract to contract, and have prescribed geographic areas and maximum ordering amounts. Generally, Closing Agent responsibilities and duties include, but are not limited to, conducting closings, submitting closing packages, coordinating extension requests and wiring sales proceeds to the U.S. Treasury. The fee for HUD's Closing Agents is payable by HUD and is not to be considered by the Contractor in determining its fees.

5.4.4.1.1 **Sale Assignments** – Within two (2) business days of execution of a sales contract by the Contractor, or for ACA sales, receipt of the fully executed NOA from the ACA participant, the Contractor shall provide HUD's Closing Agent with a delivery order that will include legible copies of the following items: executed sales contract and addendums, title evidence (when available), tax information, homeowner association information, all outstanding property bills and any other documentation deemed necessary by the GTR. The Contractor shall ensure that they assign contracts to the correct Closing Agent and do not exceed the

maximum ordering clauses prescribed in each contract. The Contractor shall notify the GTR that a Closing Agent is nearing the maximum number of cases allowable under its contract at least one hundred and twenty (120) days prior to the maximum being reached.

5.4.4.1.2 **Oversight of Closing Agents** - The Contractor shall monitor Closing Agents to determine if requirements of the Closing Agent contracts are fulfilled. The Contractor shall submit a monthly report to the GTR listing Closing Agent deficiencies, late submissions, and contract extensions resulting from Closing Agent error or incapacity and complaints about Closing Agent performance received by the Contractor. For each case cited on the report the Contractor will include the current status of closing, date of occurrence, property address and case number. The report, detailing Closing Agent activity for the prior month, shall be posted on EMS on the tenth (10<sup>th</sup>) business day of each month. Additionally, the Contractor shall review for accuracy invoices and transmittals submitted by HUD's Closing Agents. If accurate, the transmittals shall be sent to HUD for payment.

5.4.4.2 **Contract Closings** – The Contractor has the primary responsibility of ensuring that all sales close within the time specified on the closing date line of the sales contract (currently line 9). Time is of the essence as to closing. The Contractor shall communicate with the Selling Broker, or the purchaser if the purchaser is not using a broker, on each sale to ensure a timely closing or a contract cancellation, in accordance with HUD Handbook 4310.5 Rev 2, Chapter 11 and any subsequent policy directive. The Contractor shall provide HUD's Closing Agent, the Purchaser, the Selling Broker and the Purchaser's lender with all necessary sales documentation in sufficient time to ensure a timely closing. The Contractor shall ensure the accuracy of all closing documentation and verify that all costs being charged to HUD are accurate. The Contractor shall comply with the requirement that executed deeds shall not be sent to the Closing Agent sooner than five (5) business days prior to the anticipated closing. If for any reason the closing is delayed, postponed or cancelled the Contractor shall retrieve the executed deed from the Closing Agent. Upon request of the GTR the Contractor shall research and resolve any inconsistencies resulting from sale closings.

5.4.4.3 **Reconciliation of Sale Proceeds** – The Contractor shall review and reconcile each sale no later than seven (7) business days following sale closing. The Contractor is responsible for reconciling total proceeds deposited against the sales data on the Form HUD-1, Settlement Statement. If the case does not reconcile the Contractor shall coordinate with HUD's Closing Agent to determine the reason(s) and correct those errors that prevent the case from reconciling. In correcting errors, it may be necessary to modify the Form HUD-1, Settlement Statement, collect additional sales proceeds, correct improperly wired proceeds or refund excess sales proceeds.

5.4.4.4 **Contract Extensions** – In those cases where a transaction will not close within the time specified, the Selling Broker or the purchaser, if the purchaser is not using a broker, may request in writing that the sales contract be extended. The extension request must demonstrate that a closing is imminent. The Closing Agent will forward the written extension request to the Contractor for review and approval prior to the expiration of the time specified on the sales contract. The Contractor shall follow the procedure described in its Marketing Plan for timely approval of contract extension requests and shall ensure that all purchasers receive fair and equitable treatment with respect to contract extensions. Approval or disapproval authority for extension requests shall not be delegated to HUD's Closing Agent. Upon granting a contract extension, the

Contractor shall update SAMS to reflect the revised closing date and collection or waiver of extension fees and shall document this action in the property file in EMS.

5.4.4.4.1 **Extension Fees** – In accordance with its Marketing Plan, the Contractor may assess a moderate daily fee for initial or repeat contract extensions not to exceed twenty-five (25) dollars per day. Any contract extension fees collected shall be reflected on the Form HUD-1, Settlement Statement, as a credit to the Seller in addition to all other sums due under the terms of the sales contract. If the sale is canceled, forfeited extension fees shall be sent by the Closing Agent to the Contractor to be deposited in HUD’s lockbox following procedures outlined in HUD Handbook 4310.5 Rev-2, chapter 15.

5.4.4.4.2 **No Cost Extensions** – An extension shall be provided at any time and to any purchaser at no cost where the delay is the fault of HUD, the Contractor, HUD’s Closing Agent or a title defect. An initial extension shall be provided for owner occupant purchasers at no cost if documentation is provided indicating that proper and timely loan application was made and that the delayed closing was not the fault of the purchaser. In the case of a Section 203(k) loan, the extension may be up to thirty (30) days.

5.4.4.5 **Post Closing Complaints** – The Contractor shall respond to and notify the GTR of all post-closing complaints from purchasers no later than two (2) business days following receipt of the complaint, as required in 5.1.4. The Contractor shall resolve post-closing complaints no later than thirty (30) calendar days following receipt of the complaint, shall notify the GTR of the resolution via email and shall document the resolution in the property file(s). In those instances when the Contractor believes that HUD may be liable for a claim, the Contractor shall provide the GTR a written statement regarding its determination of HUD’s potential liability and estimate of the cost of resolving the complaint at least fifteen (15) calendar days prior to the expiration of the thirty (30) day resolution period. The GTR may direct the Contractor to make repairs or compensate the complainant if the GTR determines that either is appropriate. The Contractor shall be entitled to reimbursement as a pass-through expense of the cost of the repair or compensation if the GTR directs the Contractor to use either method to resolve the complaint. However, post-closing complaints that arise out of poor repair workmanship, erroneous listing information, or other errors or omissions on the part of the Contractor its employees, Subcontractors or agents of the foregoing, shall be resolved at the Contractor’s expense.

## 5.4.5 Marketing Performance Requirements Summary

PWS PERFORMANCE REQUIREMENTS REFERENCE	PERFORMANCE MEASURE	QUALITY ASSURANCE PROCEDURE	FREQUENCY	MINIMUM SATISFACTORY RATING	
5.4	The Contractor's marketing strategy results in acceptable net return	Average net return as a percentage of claims paid is equal to or exceeds the minimum satisfactory rating	SAMS report of average total receipts less total expenditures for all properties sold in the prior month as a percentage of total claims paid by HUD for those cases	Monthly	Varies by Contract Area - See Section 5.6.1
5.4	Properties sell at market value	Average sales price as a percentage of initial list price	SAMS report of 100% of all properties sold in the prior month	Monthly	95%
5.4	Properties sell quickly	Percentage of properties in inventory more than 365 days is equal to or less than the minimum satisfactory rating	SAMS report of all properties in step 1 to 8 that have been in inventory more than 365 days as a percentage of total inventory	Monthly	Varies by Contract Area - See Section 5.6.1
5.4	Properties sell quickly	Average holding time is equal to or less than the minimum satisfactory rating	SAMS report of average days from acquisition to settlement for 100% of properties sold in the prior month	Monthly	Varies by Contract Area - See Section 5.6.1
5.4.1.3.3	Property values are accurate	Percentage of appraisals reviewed by HUD that are rated as acceptable	Desk or field reviews of a statistical sample of all appraisals completed in the prior month	Monthly	90%
5.4.3.3	Marketing strategy promotes sales to owner occupants	Percentage of sales to owner occupants is equal to or exceeds the minimum satisfactory rating	SAMS report of of all properties sold in the prior month to owner occupant purchasers	Monthly	Varies by Contract Area - See Section 5.6.1

## 5.5. TRANSITION

To ensure a smooth transfer of management and marketing responsibilities from the existing M&M Contractor(s), herein after called "Former Contractors", to the Contractor, HUD has provided for a Transition Period. The Transition Period will run from the effective date of the contract and will not exceed the timeframes established herein for start up and ramp up. During the Transition Period the Contractor shall establish or adapt its physical infrastructure; retain qualified staff and subcontract support; develop or obtain necessary hardware, software, Internet applications and information technology; attend HUD provided training; provide training to its workforce to enable them to provide required services under this PWS; obtain all required licenses, permits, bonds and legal permissions required to transact business within the contract area; develop and implement quality assurance programs, gradually assume contract responsibilities and assume full contract responsibility by expiration date of the final option year of the contract with the Former Contractors, or such later date as determined by the CO.

The Transition Period shall have two (2) phases, the Start Up and the Ramp Up. The activities and timeline for each phase are described below.

### 5.5.1. Start Up Phase

The Start Up Phase begins on the effective date of the contract and continues for no more than sixty (60) calendar days. During this period the Contractor shall complete preparation activities, including but not limited to, attending post award conferences and meetings with HUD staff, attending

specialized training provided by HUD, establishing its physical infrastructure, ensuring that a qualified and trained workforce of employees or Subcontractors is in place, obtaining all licenses, permits, bonds and qualifications, required to transact business in the geographic locations within the contract area and implementing the information technology and support necessary to fully perform the requirements contained in this PWS.

#### 5.5.1.1. **Contractor Responsibilities**

- 5.5.1.1.1. **Post Award Conference** – Within the first week following the effective date of the contract, the GTR will notify the Contractor of the date and location of the post award conference. The Contractor and key staff shall attend the post award conference. Contractor orientation as set forth in Section C.5.5.1.1.7 will be provided at the post award conference.
- 5.5.1.1.2. **Quality Control, Contingency, Property Maintenance and Marketing Plans** – (collectively, the Plans) – No later than the post award conference, the Contractor shall submit to the GTR and CO detailed Property Management and Marketing Plans. The Contingency and Quality Control Plans should be submitted no later than 45 days after post award conference to the GTR. One (1) soft copy saved in Microsoft Word 2000 on a CD-ROM and two (2) hardcopies of each Plan must be submitted in three ring binders. The GTR must accept each Plan in accordance with 5.5.1.2.1 before the Contractor can implement it.
- 5.5.1.1.3. **Office Space** – No later than the tenth (10th) business day following the effective date of the contract, the Contractor shall secure any and all office space required under 5.1.3 and notify the GTR via electronic transmission of the address.
- 5.5.1.1.4. **Systems Security** - No later than the tenth (10th) business day after the effective date of the contract, the Contractor's System Security Administrator (SSA), shall obtain the necessary forms from the designated HUD Security Administrator for each staff person who will need access to HUD systems. The SSA shall arrange for completion of the forms and shall transmit the completed forms to HUD's Security Administrator no later than the thirtieth (30th) calendar day after the Contract Award Date.
- 5.5.1.1.5. **Performance Bond and Payment Bond**– No later than the thirtieth (30<sup>th</sup>) business day after the effective date of the contract, the Contractor shall deliver to the CO a performance bond and a payment bond or acceptable alternative in an amount indicated in Section I.7.
- 5.5.1.1.6. **Phone Service** - No later than the fifteenth (15th) business day following the effective date of the contract, the Contractor shall contract for phone service and notify the GTR via electronic transmission of the phone number(s).
- 5.5.1.1.7. **Orientation** – Within 60 days of the effective date of the contract, the Contractor shall attend the HUD provided orientation described in 5.5.1.2.2. The orientation will be held at HUD designated locations. HUD reserves the right to limit the number of trainees who may attend. The Contractor is required to train those members of its workforce that do not attend HUD provided orientation, as well as new employees as they are hired, to enable them to provide required services under this PWS.

- 5.5.1.1.8. **Website.** No later than the forty-fifth (45<sup>th</sup>) calendar after the effective date of the contract, the Contractor shall complete development of a web site that fulfills all of the requirements of 5.4.1.12 and shall notify the GTR of the web address of the site. The GTR will review the information on the site. The Contractor shall make all web site changes required by the GTR no later than two (2) business days following notification or such longer time period as agreed to by the GTR.
- 5.5.1.1.9. **Electronic Monitoring System (EMS).** No later than the forty-fifth (45<sup>th</sup>) calendar day after the effective date of the contract, the Contractor shall complete through acquisition or lease, the installation and testing of an Electronic Monitoring System that fulfills all of the requirements of 5.1.1.1 and Section J-Attachment 6, and shall provide access to the site to the GTR. The GTR will review the information on the site. The Contractor shall make all EMS changes required by the GTR no later than two (2) business days following notification, or in such other time frame as is approved by the GTR. The GTR will provide the Contractor with a list of HUD employees who require access to EMS. No later than the sixtieth (60<sup>th</sup>) calendar day after the effective date of the contract, the Contractor shall complete any required security authorizations and shall provide the GTR with access passwords for each in person on the GTR provided list.

**NOTE:** HUD may, at some future date and at its sole discretion, provide the Contractor with a software application that fulfills all of the requirements of EMS. If HUD provides the Contractor with EMS software, the Contractor shall use the software provided by HUD.

- 5.5.1.1.10. **Facilities, Staffing and Equipment** – No later than the forty-fifth (45<sup>th</sup>) calendar day after the effective date of the contract, the Contractor shall notify the GTR in writing that it has adequate facilities, staff, subcontract support, equipment and supplies to perform all of the tasks required under the PWS and shall provide a final list of key staff, office locations, address and phone numbers and emergency contact information to the GTR.
- 5.5.1.1.11. **Transition Coordination** - The Contractor shall meet with the GTR and the Former Contractor and cooperate in good faith to develop a detailed protocol for transfer of ongoing contract activities in order to ensure a continuity of service to external customers. Specific procedures will be mutually agreed upon for transition of the bidding process from the Former Contractor's web platform; public notice by both the Contractor and Former Contractor of the change in contract responsibility; treatment of bids or contracts pending.

#### 5.5.1.2. **HUD Responsibilities**

- 5.5.1.2.1. **Review of Contractor's Plans** - No later than twenty (20) business days after receipt of the Contractor's Contingency, Quality Control, Property Maintenance and Marketing Plans, the GTR will review these plans, provide comments to the Contractor and indicate whether HUD accepts or rejects each Plan. The Contractor shall incorporate HUD comments into the Plans and issue revised Plans within ten (10) business days after receipt of the GTR's comments. The Contractor shall satisfy the requirements of HUD for acceptance of each Plan. These requirements include consistency with the Plans presented as part of the Contractor's proposal and HUD's regulatory and statutory authorities.

5.5.1.2.2. **Orientation** –HUD GTR will notify the Contractor of the time and location of HUD provided training and the number of participants that the Contractor may send. Orientation sessions will be provided on the following topics:

5.5.1.2.2.1.**Policy and Process** - This training will include an overview of HUD and the policies and procedures related to property management and disposition, including but not limited to: responding to over allowable P&P requests from Mortgagees; evaluating extension requests; review of title evidence; the occupied conveyance process; review of claim forms; financial offset and reconveyance requirements; processing tax and homeowners association dues payment; lead based paint requirements; direct and discounted sale policies; determining property location within revitalization areas; processing broker applications and other vendor forms; interaction with other HUD Contractors; quality assurance and compliance monitoring activities; and Contractor invoicing procedures.

5.5.1.2.2.2.**Systems** – HUD will provide training to Contractor staff on the use of HUD systems including SAMS, SFIS, and the FHA Connection.

5.5.1.2.3. **Mortgagee Notification** – Immediately following the notification from the Contractor required in 5.5.1.1.9, HUD will issue a Mortgagee Letter advising Mortgagees of the Contractor’s address, telephone number(s), point of contact information and the effective date(s) when the Contractor shall assume certain contract responsibilities. The Mortgagee Letter will advise servicing Mortgagees to begin conveying new properties on the effective date and will provide detailed instructions for transition of cases already conveyed and being managed by the Former Contractor(s).

## 5.5.2. Ramp Up Phase

The Ramp Up Phase of the Transition Period shall begin on the sixty-first (61<sup>st</sup>) calendar day after the effective date of the contract unless otherwise extended by the Contracting Officer and shall end on the expiration date of the final option year of the contract with the Former Contractors, or such later date as determined by the CO. During the Ramp Up Phase, the Contractor shall assume responsibility for specific contract tasks in the order described below.

### 5.5.2.1. Transition Schedule

5.5.2.1.1. **61st Day** - On the sixty-first (61<sup>st</sup>) calendar day after the effective date of the contract, the Contractor shall begin performance of all contract services related to Conveyances, Custodial Properties, Preconveyance Approvals and Pending Mortgagee Requests.

5.5.2.1.1.1.**Conveyances** – The Contractor will receive assignment of property conveyances as described in 5.3.1.

5.5.2.1.1.2.**Custodial Properties** – The Former Contractor will transfer case files for each custodial property under management to the Contractor as described in 5.3.12. The case files will contain all available documents, including the Former Contractors’ inspections and copies of work orders, if any. The files will arrive in standard record boxes via overnight delivery. Each box will include a file inventory pulled from SAMS, listing the FHA Case Number, property address and date the property was assigned to the Former Contractor.

The Contractor shall perform a property inspection of each property no later than five (5) business days following receipt of the shipment and, no later than twenty-four (24) hours from inspection or notification of hazard, shall immediately secure the property and make required health and safety repairs in accordance with 5.3.1.3 and 5.3.2.

5.5.2.1.1.3. **Pre-Conveyance Approvals** – Mortgagees will be directed via Mortgagee Letter to refer all new pre-conveyance requests to the Contractor including but not limited to requests for approval of over allowable expenses and time extensions.

5.5.2.1.1.4. **Pending Mortgage Requests:** The Contractor will receive all pending Mortgagee requests from the Former Contractor. The requests with attached documentation will be compiled in chronological order. If more than one request is pending for a specific property, all of the requests will be combined and arranged in chronological order beginning with the earliest request date. The Former Contractor will provide an index of each property request including the FHA Case No., property address, date the request was received and copies of all communication between the Former Contractor and the Mortgagee.

5.5.2.1.2. **91st Day** – On the ninety-first (91<sup>st</sup>) calendar day after the effective date of the contract date the Contractor shall begin performance of all contract services related to Held Off Market Properties and unsold inventory.

5.5.2.1.2.1. **Held Off Market (HOM) Properties** - The Former Contractor will transfer to the Contractor case files for each property currently in a held off market status (5.3.13). The case files will contain all available documents, including the Former Contractors' inspections and copies of work orders, if any. If the property is occupied, the file will contain lease information and payment history. If the property is occupied by adverse possession, the Former Contractor will contact the GTR for instructions regarding transfer or retention of legal counsel. The files will arrive in standard record boxes via overnight delivery. Each box will include a file inventory pulled from SAMS, listing the FHA Case Number, property address and date the property was assigned to the Former Contractor. The Contractor shall perform a property inspection of each property no later than five (5) business days following receipt of the shipment and, no later than twenty-four (24) hours from inspection or notification of a hazard shall immediately secure the property and make required health and safety repairs in accordance with 5.3.1.3 and 5.3.2.

5.5.2.1.2.2. **Unsold Inventory** - The Former Contractor will transfer to the Contractor all remaining properties in their inventory that are not under contract for sale. A case file will be provided for each property containing all available documents including the Former Contractor's inspections and copies of work orders, if any. The files will arrive in standard record boxes via overnight delivery. Each box will include a file inventory pulled from SAMS, listing the FHA Case Number, property address and date the property was assigned to the Former Contractor. The Contractor shall perform a property inspection for each property no later than fifteen (15) business days following receipt of the shipment and, no later than twenty-four (24) hours from inspection or notification of a hazard shall immediately secure the property and make required health and safety repairs in accordance with 5.3.1.3 and 5.3.2.

5.5.2.1.3. **136th Day – Transfer of Pending Contracts** – The Former Contractor will retain custody of properties in their inventory that are under contract for sale as of the 91<sup>st</sup> day after the effective date of the contract. Any property that has not closed by the 135<sup>th</sup> day after the effective date of the contract shall be assigned to the Contractor. With approval of the GTR, the Former Contractor may begin transferring pending contracts at a sooner date. A case file will be provided for each sale-pending property containing all available documents including sales contracts, title information, closing instructions and Form HUD-1 Settlement Statements, as applicable. The files will arrive in standard record boxes via overnight delivery. Each box will include a file inventory, listing the FHA Case Number, property address, purchaser name, sales price, closing date and closing agent.

5.5.2.1.3.1. **Sale Closings** – The Contractor shall give priority to pending sale cases to ensure that they close timely with the least possible disruption to the purchaser. Pending sales transferred to the Contractor will be exempt from the requirement for Property Condition Reports (5.3.4) and Lead-based paint inspection, stabilization and clearance (5.3.8.1.2) (except for properties in Philadelphia or as directed by the GTR). If the terms of any transferred pending sale would cause the Contractor to be non-compliant with any provision of this PWS, the Contractor shall notify the GTR in writing.

5.5.2.1.3.2. **Property Management** – The provisions of 5.3.2 and 5.3.3 apply to properties subject to transferred pending sales except that the Contractor is not required to begin inspection of properties with a scheduled closing date within fifteen (15) calendar days of the date of transfer unless the pending sale is postponed or terminated or the Contractor is notified of an imminent health or safety hazard on the property.

5.5.2.1.3.3. **Compensation** – Following closing, the Contractor shall be entitled to its full marketing fee for transferred sale pending properties. The Contractor will not be entitled to a Property Management fee or Vacant Lot Management fee on properties transferred from a Former Contractor during transition that are under contract for sale if any subsequent sale of the property to that purchaser(s) is completed. If a sale to the original purchaser is not completed, the Contractor may invoice one fourth of the Property Management or Vacant Lot Management fee each month for four months beginning in the month the contract is terminated.

5.5.2.1.3.4. **Terminated Sales** – If after transfer, a pending sale is terminated and the property is returned to the market for sale the Contractor shall manage the property in accordance with 5.5.2.1.2.2, Unsold Inventory. The Contractor shall perform a property inspection for the property within five (5) business days after termination of the pending sale.

5.5.2.2. **EMS Data Entry Requirements** – Within ten (10) business days after receipt of files from the Former Contractor, the Contractor shall establish an EMS file for each case and input certain historic property information received from the Former Contractor. For all asset types, the Contractor shall input any of the applicable Minimum Data Input Requirements identified in Section J-Attachment 9. Additionally, for custodial and HOM properties, the Contractor shall image the last available property inspection report. For unsold inventory the Contractor shall image the last available inspection report and the most recent appraisal. For sale pending inventory transferred under the provisions of 5.5.2.1.3, the Contractor shall image the last

available inspection report, the most recent appraisal, the sales contract, addendums, disclosures, extension or cancellation notices and, when available the HUD 1 Settlement Statement. The Contractor shall follow the requirements of 5.1.1.1 for input into EMS of any property information and documents that result from the Contractor’s management or marketing of the property.

### 5.5.3. Transition Out

Upon expiration of this contract, the Contractor shall transition the contract services to the new Contractor. At transition out, Contractor shall perform all duties assigned to the “Former Contractor” in 5.5 of this PWS. The Contractor shall be available to provide additional transition services to assist the new Contractor for a period of up to six (6) months following the transition to ensure uninterrupted performance to HUD.

### 5.5.4 Transition Performance Requirements Summary

PWS PERFORMANCE REQUIREMENTS REFERENCE	PERFORMANCE MEASURE	QUALITY ASSURANCE PROCEDURE	FREQUENCY	MINIMUM SATISFACTORY RATING
5.5.1.1.7 5.5.1.1.8	Contractor has internet capability to perform required contract functions	Internet sites substantially meet PWS requirements for functionality and user accessibility by the 45 <sup>th</sup> day following contract award	Review of bidding and EMS internet sites by GTR	One time 90%
5.5.1.1.9	Contractor has adequate facilities and staff	Contractor’s facilities and equipment are substantially complete and sufficient staff have been hired to perform initial contract responsibilities by the 45 <sup>th</sup> day following contract award	Contractor certification to HUD, possible onsite inspection by HUD staff	One time 90%
5.5.2.1.2	Contractor can assume full responsibility for portfolio	Contractor has successfully assumed initial portfolio responsibilities and is able to take over full contract responsibilities by the 91 <sup>st</sup> day following contract award	Performance assessment by GTR	One time 90%

## 5.6 CRITICAL PERFORMANCE REQUIREMENTS SUMMARY (PRS)

The PWS specifies specific performance requirements that the Contractor must meet. All of the requirements in the PWS are critical to successful attainment of the Government’s performance objectives. The Critical Performance Requirements Summary identifies the performance requirements that are the most critical to minimizing risks and maximizing returns; therefore, these requirements are the focus of quality assurance activities described in this plan. The table includes information about the frequency of surveillance, and the rate to which the Contractor must meet the performance requirements. The PRS will assist HUD in ensuring that the appropriate performance standards are being measured and will provide standards against which the Contractor may monitor its own performance.

### CRITICAL PERFORMANCE REQUIREMENTS SUMMARY

PWS PERFORMANCE REQUIREMENTS REFERENCE		PERFORMANCE MEASURE	QUALITY ASSURANCE PROCEDURE	FREQUENCY	MINIMUM SATISFACTORY RATING
5.1.4.4	The Contractor responds appropriately and timely to customer inquires	Percentage of customer inquires that receive an appropriate response within 2 business days.	GTR sampling of the Contractor’s communications log on EMS	Monthly	90%
5.1.4	Purchasers and Selling Brokers express a high level of satisfaction with the HUD Homes sale process.	Percentage of respondents to a voluntary Customer Survey that report they are satisfied or very satisfied with their HUD Home sales experience.	Customer Survey to be delivered by HUD Closing Agent Contractors to all purchasers and Selling Brokers following close of escrow.	Quarterly	85%
5.2.1.1 5.2.6	Mortgagees receive accurate and timely response to requests for overallowable expenses and extensions of time	Percentage of Mortgagee requests that receive an appropriate response within 5 business days	GTR sampling of the Administrative Remedies Report on EMS	Monthly	90%
5.2.4.1	Inappropriate conveyances are identified accurately and timely	Percentage of Part A reviews that are performed accurately and within 30 calendar days	GTR sampling of conveyance decisions as reported on EMS	Monthly	95%
5.2.4.2	Inappropriate claims by Mortgagees are identified accurately and timely	Percentage of Part B claim reviews that are performed accurately and within 30 calendar days	GTR sampling of cases listed on the Administrative Remedies Report	Monthly	90%
5.2.5.1	Title evidence is reviewed and approvals or rejections are issued timely	Percentage of cases reviewed where title rejections are issued within 5 business days	GTR review of title receipt and title approval dates in SAMS	Monthly	90%
5.3.2	Properties are free of health and safety hazards	Percentage of inspected properties where health and safety hazards are not observed	10% random sample of properties to be inspected by Special Property Inspectors.	Monthly	80%
5.3.2	Identified health and safety hazards are abated promptly	Percentage of identified health and safety hazards that are abated within 24 hours of discovery	GTR comparison of 100% of SPI reports with identified H&S hazards and work orders and photos on EMS	Monthly	95%

PWS PERFORMANCE REQUIREMENTS REFERENCE		PERFORMANCE MEASURE	QUALITY ASSURANCE PROCEDURE	FREQUENCY	MINIMUM SATISFACTORY RATING
5.3.3	Properties are maintained in clean, safe, sanitary condition	Average score of all SPI inspections completed during period	SPI inspection scores	Quarterly	80
5.4	The Contractor's marketing strategy results in acceptable net return	Average net return as a percentage of claims paid is equal to or exceeds the minimum satisfactory rating.	SAMS report of average total receipts less total expenditures for all properties sold in the prior month as a percentage of total claims paid by HUD for those cases	Monthly	Varies by Contract Area - See Section 5.6.1
5.4	Properties sell at market value	Average sales price as a percentage of initial list price	SAMS report of all properties sold in the prior month	Monthly	95%
5.4	Properties sell quickly	Percentage of properties in inventory more than 365 days is equal to or less than the minimum satisfactory rating	SAMS report of all properties in step 1 to 8 that have been in inventory more than 365 days as a percentage of total inventory	Monthly	Varies by Contract Area - See Section 5.6.1
5.4	Properties sell quickly	Average holding time is equal to or less than the minimum satisfactory rating	SAMS report of average days from acquisition to settlement for 100% of properties sold in the prior month	Monthly	Varies by Contract Area - See Section 5.6.1
5.4.1.3.3	Property values are accurate	Percentage of appraisals reviewed by HUD that are rated as acceptable	Desk or field reviews of a statistical sample of all appraisals completed in the prior month	Monthly	90%
5.4.3.3	Marketing strategy promotes sales to owner occupants	Percentage of sales to owner occupants is equal to exceeds the minimum satisfactory rating	SAMS report of all properties sold in the prior month that sold to owner occupants purchasers (including non-profit and government agencies) as a percentage of all sales.	Monthly	Varies by Contract Area - See Section 5.6.1
5.5.1.1.7 5.5.1.1.8	Contractor has internet capability to perform required contract functions	Internet sites substantially meet PWS requirements for functionality and user accessibility by the 30 <sup>th</sup> day following contract award	Review of bidding and EMS internet sites by GTR	One time	90%
5.5.1.1.9	Contractor has adequate facilities and staff	Contractor's facilities and equipment are substantially complete and sufficient staff have been hired to perform initial contract responsibilities by the 30 <sup>th</sup> day following contract award	Contractor certification to HUD, possible onsite inspection by HUD staff	One time	90%
5.5.2.1.2	Contractor can assume full responsibility for portfolio transition	Contractor has successfully assumed initial portfolio responsibilities and is able to take over full contract responsibilities by the 121 <sup>st</sup> day following contract award	Performance assessment by GTR	One time	90%

### 5.6.1 Performance Standards by Contract Area

The Critical Performance Requirements Summary as set forth in the chart at C.5.6 above identifies some marketing performance requirements that have minimum satisfactory ratings that are specific to each contract area. The following chart identifies those requirements for Area A6, Georgia.

#### A6 - Georgia

PWS PERFORMANCE REQUIREMENTS	PERFORMANCE MEASURE	QUALITY ASSURANCE PROCEDURE	MINIMUM SATISFACTORY RATING				
			YR1	YR2	YR 3	Yr 4	YR 5
The Contractor's marketing strategy results in acceptable net return	Average net return as a percentage of claims paid equals or exceeds the minimum satisfactory ratings	SAMS report of average total receipts less total expenditures for all properties sold in the prior month as a percentage of total claims paid by HUD for those cases.	74%	77%	79%	81%	83%
Properties sell quickly	Percentage of properties in inventory more than 12 months is equal to or less than the minimum satisfactory rating.	SAMS report of all properties in step 1 to 8 that have been in inventory more than 365 days as a percentage of total inventory.	2.0%	2.0%	2.0%	2.0%	2.0%
Properties sell quickly	Average holding time is equal to or less than the minimum satisfactory rating.	SAMS report of average days from acquisition to settlement for 100% of all properties sold in the prior month.	150	150	150	150	150
Marketing strategy promotes sales to owner occupants	Percentage of sales to owner occupants is equal to or exceeds the minimum satisfactory rating	SAMS report of 100% of all properties sold in the prior month that sold to owner occupants purchasers (including non-profit and government agencies) as a percentage of all sales.	52%	59%	66%	71%	76%

### 5.7 REQUIRED REPORTS.

**Required Reports** - Reviewing the periodic reports that the Contractor submits provides the GTR with regular, standardized information about specific performance matters. Reviewing these reports will be the first means of monitoring the Contractor's adherence to the PWS and of measuring its performance against the Performance Requirements Summary (PRS). The GTR will review these reports when they are submitted and, as appropriate, request supporting or clarifying information. The required reports are as follows:

- 5.7.1 Electronic Case Files** – Daily update of electronic files as described in the EMS Index in Section J-Attachment 6.
- 5.7.2 Administrative Remedies Report (ARR)** – Monthly report of non-compliance by Mortgagees and the status of remedial actions taken or recommended by the Contractor. The

ARR will be posted in the report section of EMS on the tenth (10) calendar day of the month following the month of activity covered in the report.

- 5.7.3 Closing Agent Deficiencies Report** – Monthly report of performance deficiencies on the part of HUD’s Closing Agent Contractors. The Closing Agent Deficiencies Report will be posted in the report section of EMS on the tenth (10) calendar day of the month following the month of activity covered in the report.
- 5.7.4 Aged Inventory Report** - A monthly report listing all properties except Custodial and Held Off Market Properties that have been in inventory more than twelve (12) months, describing reasons the properties have remained unsold and marketing actions planned by the Contractor. The Aged Inventory Report will be posted in the report section of EMS on the tenth (10) calendar day of the month following the month of activity covered in the report.
- 5.7.5 Held Off Market Report** - A monthly report listing all properties in HOM status sorted by HOM status code and identifying actions being taken by the Contractor to return properties to the market when applicable. The HOM Report will be posted in the report section of EMS on the tenth (10) calendar day of the month following the month of activity covered in the report.
- 5.7.6 Litigation Status Report** – A monthly report listing the status of all properties that are subject to any type of litigation including but not limited to eviction/adverse possession, small claims, condemnation or demolition orders or municipal liens that prohibit title transfer. The Litigation Status Report shall include the case number, address, litigation type, name of legal counsel, current status and next action planned. The report will be posted in the report section of EMS on the tenth (10) calendar day of the month following the month of activity covered in the report.
- 5.7.7 Quality Control Review Report** - A monthly report summarizing the results of the Contractor’s QC actions and findings for QC reviews conducted during the prior month and including corrective actions planned to address those findings. The report will be posted in the report section of EMS on the tenth (10) calendar day of the month following the month of activity covered in the report.
- 5.7.8 ACA Status Report** - A weekly report including the number of eligible properties acquired in each ACA area, and NOAs delivered to the participant, executed sales contracts, demolitions pending, valuation appeals pending, delayed closings and properties closed. The report will be posted in the report section of EMS on the first business day of each week.
- 5.7.9 Annual Portfolio Overview** – Each year, no later than thirty (30) calendar days from the anniversary of the contract award date, the Contractor shall deliver a written narrative report documenting the portfolio status and describing the successes and challenges of its management and marketing activities.
- 5.7.10 Property Expense Reporting** - Each year, no later than thirty (30) calendar days from the anniversary of the contract award date, the Contractor shall deliver a written property expense report in a format to be provided by the GTR showing average annual costs expended per property in specific expense categories.

**5.7.11 Audited Financial Statement** - Each year, no later than ninety (90) days before the expiration of the current option year, the Contractor shall deliver to the CO an original hard copy of the Contractor's current audited financial statement.

**5.7.12 Ad Hoc Reports** – As required from time to time by the GTR or Contracting Officer, the Contractor shall provide information necessary to satisfy program inquiries from Federal and non-federal agencies, entities, and individuals, for example the Contractor may be asked to prepare a report on HUD properties damaged by a natural disaster. Ad Hoc report requests will specify the required format, content, distribution, and due date.

## 5.8 APPLICABLE DOCUMENTS

The Notices, Mortgagee Letters, Handbooks, Forms and other applicable documents referenced throughout this PWS can be found at the locations indicated below. The contract will continue to be governed by the cited references (even if not extended) until HUD notifies the Contractor in writing not to follow that guidance or to follow alternative guidance.

Document Number	Title	Document Location
Single Family Acquired Asset Management (SAMS) User's Guide	SAMS User's Guide	<a href="http://www.hud.gov:80/offices/hsg/sfh/reo/sams/sams_guide.cfm">http://www.hud.gov:80/offices/hsg/sfh/reo/sams/sams_guide.cfm</a>
Handbook 2200.01	Administrative Services Policy Handbook Note: This handbook number was added here because it was in the row with Handbook 2225.6.	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Handbook 2225.6 Rev-1 Chg-52	HUD Records Disposition Schedules, Appendix 7, "Records Relating to Property Disposition"	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Handbook 2229.1	Records Disposition Scheduling for Automated Systems	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Handbook 2400.24 Rev-2	Information Security Program	<a href="http://hudweb.hud.gov:80/po/it/security/chap7.htm">http://hudweb.hud.gov:80/po/it/security/chap7.htm</a>
HUD Handbook 4150.2 Chg-1	Valuation Analysis for Single Family One- to Four-Unit Dwellings	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Handbook 4310.5 Rev-2	Property Disposition Handbook k – One to Four Family Properties	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Handbook 4330.1 Rev-5	Administration of Insured Home Mortgages	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Handbook 4330.4 Rev-1 Chg-1.	FHA Single Family Insurance Claims	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Handbook 4905.1 Rev-1	Requirements for Existing Housing - One to Four Family Living Units	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 1999-18	Single Family Loan Production: Handbook 4150.2 - Valuation Analysis for Home Mortgage Insurance for Single Family One- to Four- Unit Dwellings, Comprehensive Valuation Package and the updated "Importance of Home Inspections" Form	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 2000-27	Appraising and Financing HUD Real Estate Owned (REO) Properties With FHA-Insured Financing - Single Family Loan Production	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>

Document Number	Title	Document Location
HUD Mortgagee Letter 2001-30	Nonprofit Organization and Government Entity Participation in Single Family FHA Activities	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 2002-01	Nonprofit Participation in Single Family FHA Activities - New Requirements and Restrictions	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 2002-10	2002 Preservation and Protection Cost Schedule and Policy Updates/2002 Post Endorsement Guidelines, Fees and Charges	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 2002-19	Clarification Regarding Title Approval issues, Property Condition at Conveyance, Administrative Offsets and a New Process for Lender Appeal of Conveyance Issues.	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 2003-05	Update of Mortgagee Letter 2002-10, 2002 Preservation and Protection Cost Schedule and Policy Updates/2002 Post Endorsement Guidelines, Fees and Schedules	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 2003-18	Revises appraisal forms "Notice to the Lender" and "Notice to the Homebuyer".	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 2004-04	Revises Form HUD 92564-CN, "For Your Protection Get a Home Inspection."	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 2004-07	Updates Property Preservation and Protection ML 2002-10; 2002-19; 2003-05 regarding boarding requirements in the Mid-Atlantic	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 2004-09	Updates Property Preservation and Protection Mortgagee Letter 2003-05 regarding changes in Hot Zones Zip Codes for inspection requirements	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 2004-15	Address Change for HUD's National Servicing Center	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Mortgagee Letter 2004-16	Provided a new interactive website for Preservation and Protection cost allowables	<a href="http://www.hud.gov/offices/hsg/sfh/reo/pandpsched/index.cfm">http://www.hud.gov/offices/hsg/sfh/reo/pandpsched/index.cfm</a>
HUD Housing Notice 1994-74	Revisions to SFPD Sales Procedures	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 1997-51	Single Family Property Disposition (Officer Next Door Sales Program)	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 1997-73	Officer Next Door Sales Program Single Family Property Disposition	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 1999-30	Single Family Property Disposition Officer Next Door Program/Teacher Next Door Initiative	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 2000-07	Implementation of "\$1 Home Sales to Local Governments Program"	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 2003-01	Owner-Occupant Purchaser Certifications	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 2003-02	Allowable Closing Costs Paid by HUD Single Family Property Disposition	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 2003-04	Extension of the Teacher Next Door (TND) Initiative	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 2002-20	Clarification Regarding Title Approval Issues, Property Condition at Conveyance, Administrative Offsets and a New Process for Lender Appeal of Conveyance Issues	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 2003-19	Lead Disclosure Requirements and Addendum Formats	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 2003-30	Elimination of Lead -Based Paint Hazards in HUD Owned Single Family Properties	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 2004-04	Reinstatement of HN 2003-1 Owner-Occupant Purchaser Certifications	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>

Document Number	Title	Document Location
HUD Housing Notice 2004-05	Extention of HN 2003-02 Allowable Closing Costs Paid by HUD	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
HUD Housing Notice 2004-06	Reinstatement of NH 2003-20 Clarification Regarding Title Approval Issues, Property Condition at Conveyance, etc.	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
PL 105-220, Title IV, 408(b)	Section 508 of the Rehabilitation Act of 1998	<a href="http://www.gao.gov/new.items/ai00282.pdf">http://www.gao.gov/new.items/ai00282.pdf</a>
PL 105-277, Title MVII	Government Paperwork Elimination Act	<a href="http://www.gao.gov/new.items/ai00282.pdf">http://www.gao.gov/new.items/ai00282.pdf</a>
5 U.S.C. 552	Freedom of Information Act (FOIA)	<a href="http://www.gpoaccess.gov/multidb.html">http://www.gpoaccess.gov/multidb.html</a>
5 U.S.C. 552a	Privacy Act	<a href="http://www.gpoaccess.gov/multidb.html">http://www.gpoaccess.gov/multidb.html</a>
12 U.S.C. 1715z-13a	Section 184 of the Housing and Community Development Act of 1992	<a href="http://www.gpoaccess.gov/multidb.html">http://www.gpoaccess.gov/multidb.html</a>
15 U.S.C. 7001-7006	Electronic Signatures in Global and National Commerce Act (ESIGN)	<a href="http://www.gpoaccess.gov/multidb.html">http://www.gpoaccess.gov/multidb.html</a>
16 U.S.C. 470f	Section 106 of the National Historic Preservation Act (NHPA)	<a href="http://www.gpoaccess.gov/multidb.html">http://www.gpoaccess.gov/multidb.html</a>
40 U.S.C. 759 note	Computer Security Act	<a href="http://www.fas.org/irp/offdocs/laws/pl100235.htm">http://www.fas.org/irp/offdocs/laws/pl100235.htm</a>
42 U.S.C. 4852d	Residential Lead-Based Paint Hazard Reduction Act of 1992	<a href="http://www.gpoaccess.gov/multidb.html">http://www.gpoaccess.gov/multidb.html</a>
42 U.S.C. 9620(h)	Section 120(h) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)	<a href="http://www.gpoaccess.gov/multidb.html">http://www.gpoaccess.gov/multidb.html</a>
24 CFR Part 35 Subpart A	Lead Disclosure Rule	<a href="http://www.access.gpo.gov/nara/cfr/index.html">http://www.access.gpo.gov/nara/cfr/index.html</a>
24 CFR Part 35 Subpart F	Lead Safe Housing Rule	<a href="http://www.access.gpo.gov/nara/cfr/index.html">http://www.access.gpo.gov/nara/cfr/index.html</a>
24 CFR Part 200 Subpart G	Appraiser Roster	<a href="http://www.access.gpo.gov/nara/cfr/index.html">http://www.access.gpo.gov/nara/cfr/index.html</a>
24 CFR Part 200 Subpart S	Minimum Property Standards	<a href="http://www.access.gpo.gov/nara/cfr/index.html">http://www.access.gpo.gov/nara/cfr/index.html</a>
24 CFR Part 203 Subparts B	Single Family Mortgage Insurance Contract Rights and Obligations	<a href="http://www.access.gpo.gov/nara/cfr/index.html">http://www.access.gpo.gov/nara/cfr/index.html</a>
24 CFR Part 203 Subparts C	Single Family Mortgage Insurance Servicing Responsibilities	<a href="http://www.access.gpo.gov/nara/cfr/index.html">http://www.access.gpo.gov/nara/cfr/index.html</a>
24 CFR Part 291 Subparts A, B, C, and F	Disposition of HUD-Acquired Single Family Property	<a href="http://www.access.gpo.gov/nara/cfr/index.html">http://www.access.gpo.gov/nara/cfr/index.html</a>
36 CFR Part 800	Protection of Historic Properties	<a href="http://www.access.gpo.gov/nara/cfr/index.html">http://www.access.gpo.gov/nara/cfr/index.html</a>
40 CFR Part 373	Reporting Hazardous Substance Activity When Selling or Transferring Federal Real Property	<a href="http://www.access.gpo.gov/nara/cfr/index.html">http://www.access.gpo.gov/nara/cfr/index.html</a>
64 FR 10896	Federal Register, "Proposed Implementation of the Government Paperwork Elimination Act"	<a href="http://www.rdc.noaa.gov/~pra/gpea.htm">http://www.rdc.noaa.gov/~pra/gpea.htm</a>
OMB	"Access With Trust"	<a href="http://www.cio.gov/fpkisc/documents/AccessWithTrust.pdf">http://www.cio.gov/fpkisc/documents/AccessWithTrust.pdf</a>
NIST Special Publication 800-9	"Good Security Practices for Electronic Commerce, Including Electronic Data Interchange"	<a href="http://www.nist.gov">www.nist.gov</a>
NIST Special Publication 800-12	"An Introduction to Computer Security: The NIST Handbook"	<a href="http://www.nist.gov">www.nist.gov</a>
NIST Special Publication 800-14	"Generally Accepted Principles and Practices for Securing Information Technology Systems"	<a href="http://www.nist.gov">www.nist.gov</a>
Form HUD-1	Settlement Statement	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
Form HUD-27001, Part A, B, C, D, and E	Single-Family Application for Insurance Benefits	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
Form HUD-50012	Mortgagee's Request for Extensions of Time	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
Form HUD-9548-A	Law Enforcement Officer/Teacher Certification	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
Standard Form 85P	Questionnaire for Public Trust Positions	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
Standard Form 135	Records Transmittal and Receipt	<a href="http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi">http://www.hudclips.org/sub_nonhud/cgi/hudclips.cgi</a>
21-D258	Finger Print Chart	Provided by HOC GTR

## **SECTION D - PACKAGING AND MARKING**

### **D.1 PAYMENT OF POSTAGE AND SHIPPING**

The cost of all postage and fees related to submitting information to HUD under this contract, including required forms and reports shall be included in the fixed unit prices specified schedule B and shall be paid by the Contractor, except for Record Retention & Exit File Delivery (as specified in Section J-Attachment 5 – Pass Through Cost). The actual cost of shipping files for record retention or at the termination of the contract, when incurred in accordance with contract requirements, will be reimbursed without prior GTR approval.

### **D.2 MARKING OF DELIVERABLES**

Every six months the Contractor will forward to the appropriate HUD Record Retention Center, physical property files for all cases that have been closed or reconveyed for at least one year. The Contractor shall obtain the number of record storage boxes necessary to retire files in compliance to the below directions. The actual cost of shipping the record storage boxes will be reimbursed as a pass-through expense.

- The Contractor will download from HUDCLIPS, Standard Form 135, Record Transmittal and Receipt.
- Case files must be separated between properties sold with FHA insurance and those sold without FHA insurance.
- Case files for insured sales are to be boxed together in case number order and a list compiled identifying the files contained in each box. Case files for un-insured sales are to be boxed together in case number order and a list compiled identifying the files contained in each box.
- For each box, the Contractor will complete Standard Form 135 in its entirety and attach a copy to the related box. Each box must identify the year closed, whether the case files represent loans that are insured or uninsured and the disposal date. (The disposal date on insured sales is 30 years. The disposal date for uninsured sales is 6 years.)
- The Contractor will deliver the original Standard Form 135 for each box to the GTR or to the individual identified by the GTR, who will obtain record accession numbers from HUD's Administrative Service Division.
- Upon receipt of the accession numbers, the Contractor will identify each box by the accession number, the box number and the total number of boxes, i.e. Box 1 of 2.
- The Contractor will ensure that all boxes are in numeric order and, if shipping in quantity, that they are on a pallet.
- The Contractor will notify the GTR that the boxes are ready for shipment to the designated Record Center.
- HUD will reimburse, as a pass-through expense, the Contractor for the actual cost of shipment to the record center exclusive of the Contractor's labor to prepare the files for shipping.

Record Storage Boxes shall be shipped to the following locations:

**Atlanta HOC Records**

National Archives and Record Administration  
South East Region  
1557 St. Joseph Ave  
East Point, Georgia 30344-2593

**Denver HOC Records (for Case Files)**

Shipping Address

Denver Federal Center  
Building 48  
PO Box 25307  
Denver, Colorado 80225-0308

Drop Off Address

West 6 Ave and Kipling Street  
Denver, Colorado 80225)

**Denver HOC Records (for Non-scheduled items and miscellaneous legal documents on hold)**

Iron Mountain Record Management  
5050 Moline St.  
Denver, Colorado 80239

**Philadelphia HOC Records**

Philadelphia Federal Records Center  
14700 Townsend Road  
Philadelphia, PA 19154

**Santa Ana HOC Records**

Federal Record Center  
24000 Avila Road  
Laguna Niguel, California 92677

All information submitted to HUD under this contract shall be clearly labeled with the contract and applicable SAMS numbers. Each report shall be delivered in one electronic copy to the GTR and CO. Each deliverable shall have the following information on the outside of the electronic media or in the body of the email:

- The Title of the Deliverable;

- The [program] Tracking Number;
- The Task Order Number and Title;
- The Date Prepared; and
- The Name of the Contractor and a Point of Contact for the Deliverable

**SECTION E - INSPECTION AND ACCEPTANCE**

**E.1 NOTICE LISTING CONTRACT CLAUSES INCORPORATED BY REFERENCE**

The following contract clauses pertinent to this section are hereby incorporated by reference (by Citation Number, Title, and Date) in accordance with the clause at FAR "52.252-2 CLAUSES INCORPORATED BY REFERENCE" in Section I of this contract. See the internet address specified below for electronic access to the full text of a clause. [www.arnet.gov/far/](http://www.arnet.gov/far/)

NUMBER	TITLE	DATE
52.246-4	INSPECTION OF SERVICES--FIXED-PRICE	AUG 1996
52.246-5	INSPECTION OF SERVICES-- COST REIMBURSEMENT	APR 1984
52.246-10	INSPECTION OF FACILITIES	APR 1984

**E.2 HUDAR 2452.246-70 INSPECTION AND ACCEPTANCE (APR 1984)**

Inspection and acceptance of all work required under this contract shall be performed by the Government Technical Representative (GTR) identified in Section G.1.

**E.3 CONTRACT RECORD**

Upon completion or termination of this contract, the Contractor shall deliver overnight to the Government or to the successor Contractor designated by the Government, all individual property files, rental records and any unused Government forms or documents related to this contract.

**E.4 REQUIREMENT FOR CORRECTIVE ACTION**

The Government, or any designated representative, shall have access to review all work during the course or upon completion of any work performed under this contract. Based on this review and any findings of substandard work, the Contractor shall correct the substandard work within the fixed-unit-rate for the line item. The correction shall not limit in any way the Government's rights or remedies with any associated dispute or contract breach.

## SECTION F - DELIVERIES OR PERFORMANCE

### F.1 NOTICE LISTING CONTRACT CLAUSES INCORPORATED BY REFERENCE

The following contract clauses pertinent to this section are hereby incorporated by reference (by Citation Number, Title, and Date) in accordance with the clause at FAR "52.252-2 CLAUSES INCORPORATED BY REFERENCE" in Section I of this contract. See FAR 52.252-2 for an internet address (if specified) for electronic access to the full text of a clause.

NUMBER	TITLE	DATE
52.242-15	STOP-WORK ORDER	AUG 1989
52.247-34	F.O.B. DESTINATION	NOV 1991
52.247-48	F.O.B. DESTINATION— EVIDENCE OF SHIPMENT	FEB 1999

### F.2 52-216-18 ORDERING

The ordering periods for performance of this contract are as follows:

PERIOD OF PERFORMANCE	DATES
Base Contract Period	August 1, 2004 through July 31, 2005
Option 1	August 1, 2005 through July 31, 2006
Option 2	August 1, 2006 through July 31, 2007
Option 3	August 1, 2007 through July 31, 2008
Option 4	August 1, 2008 through July 31, 2009

## SECTION G - CONTRACT ADMINISTRATION DATA

### G.1 HUDAR 2452.237-73 CONDUCT OF WORK AND TECHNICAL GUIDANCE (OCT 1999)

- (a) The Government Technical Representative (GTR) for liaison with the Contractor as to the conduct of work is Specific to each Geographical Contract , or a successor designated by the Contracting Officer. The Contracting Officer will notify the Contractor in writing of any change to the current GTR's status or the designation of a successor GTR.
- (b) The GTR will provide guidance to the Contractor on the technical performance of the contract. Such guidance shall not be of a nature which:
  - (1) Causes the Contractor to perform work outside the scope of the contract;
  - (2) Constitutes a change as defined in FAR 52.243-1;
  - (3) Causes an increase or decrease in the cost of the contract;
  - (4) Alters the period of performance or delivery dates; or,
  - (5) Changes any of the other express terms or conditions of the contract.
- (c) The GTR will issue technical guidance in writing or, if issued orally, he/she will confirm such direction in writing within five calendar days after oral issuance. The GTR may issue such guidance via telephone, facsimile or electronic mail.
- (d) The Principal GTR is (To Be Determined), the HUD employee who has administrative responsibility of coordination of delivery of contract services by all GTRs and GTMs for all M&M contracts.
- (e) The Government Technical Monitor(s) (GTM) is/are (To Be Determined after Award) or a successor designated by the Contracting Officer shall support the GTR by providing technical guidance to the Contractor in performance of the contract. The GTM is constrained by the same limitations identified in paragraph (b) of Clause G.1 of this contract.
- (f) The Principal Contracting Officer (PCO) is (To Be Determined)the HUD official responsible for providing coordination and insuring standardization related to crosscutting issues such as those that apply to, or affect, all geographic areas.
- (g) The Administrative Contracting Officer (ACO) is (To Be Determined) the HUD official authorized, after award, to execute and administer contractual documents based on this contract and who is also responsible for the day-to-day administration of this contract and delegating contract administration responsibilities to contracting staff and Government Technical Representatives.

This contract may be modified to further define the role of the ACO and the PCO.

**G.2 HUDAR 2452.232-70 PAYMENT SCHEDULE AND INVOICE SUBMISSION (FIXED-PRICE) (OCT 1999)**

- (a) General. The Government shall pay the Contractor as full compensation for all work required, performed and accepted under this contract, inclusive of all costs and expenses, the fixed-unit-rate for the applicable CLINS (CLINS 1-4) and applicable periods, as stated in Part I, Section B of this contract. The Contractor is entitled to, and shall be paid the management and marketing incentive fees, but only if they are earned (See Section B.9). The Contractor shall not be entitled to any compensation for services performed or for expenditures incurred after closing of a sale, except for expenditures as may be appropriate under Section J, Attachment 5. Unless otherwise specified in Section J, Attachment 5, the GTR must approve any pass-through expenses prior to incurring the expense.
- (b) Submission of Invoices. Invoices shall be submitted as follows-- original to and one copy each to the Government Technical. To constitute a proper invoice, the invoice must include all items required by FAR clause 52.232-25, "Prompt Payment."

To assist the Government in making timely payments, the Contractor is also requested to include on each invoice the appropriation number shown on the contract award document (e.g., in Block 14 on the SF-26 or Block 21 on the SF-33). The Contractor is also requested to clearly indicate on the mailing envelope that an invoice is enclosed.

- (c) Contractor Remittance Information. The Contractor shall provide the payment office with all information required by FAR clause 52.232-33, "Mandatory Information for Electronic Funds Transfer Payment," 52.232.34, "Optional Information for Electronic Funds Transfer Payment," or other supplemental information (contracts for commercial services) as applicable.
- (d) Invoice for Management fees shall be submitted 5 business days after the generation of the SAMS transmittal. Contractor must attach the SAMS monthly fee transmittal report to the invoice that is submitted to the GTR for processing.

**G.3 HUDAR 2452.232-71 VOUCHER SUBMISSION FOR PASS THROUGH COST (COST REIMBURSEMENT) (OCT 1999)**

- (a) All invoices for payment to other entities (i.e. Homeowner's Associations) may be invoiced to HUD two times each month, on the 15th and the 30th (if the 15th or the 30th falls on a weekend or a holiday, the following business day). All vouchers shall be distributed as follows, except for the final voucher, which shall be submitted in all copies to the Contracting Officer: original to and one copy each to the Government Technical Representative.

To assist the Government in making timely payments, the Contractor is requested to include on each voucher the appropriation number shown on the award document (e.g., Block 14 of the SF-26 or Block 21 of the SF-33). The Contractor is also requested to clearly indicate on the mailing envelope that a payment voucher is enclosed.

- (c) Contractor Remittance Information. The Contractor shall provide the payment office with all information required by FAR clause 52.232-33, "Mandatory Information for Electronic Funds Transfer Payment" or 52.232.34, "Optional Information for Electronic Funds Transfer Payment," as applicable.
- (d) The GTR will track pass through cost on a quarterly basis and provide a report of pass through cost incurred quarterly to the CO.

#### **G.4 INVOICING PROCEDURES**

- A. The Contractor shall submit monthly invoices for payment of fixed-price services. All other costs may be invoiced to HUD two times each month, on the 15<sup>th</sup> and the 30<sup>th</sup> (if the 15<sup>th</sup> or the 30<sup>th</sup> falls on a weekend or a holiday, the following business day).
- B. All invoices must include the FHA case number and property address for each property for which payment is being requested.
- C. **Line Item Limitation** - Individual invoices may not contain more than 50 separate line items.
- D. **Separate Invoicing of Fixed-Rate Services & Pass Through Cost** - The Contractor shall submit separate invoices for—
  - 1. Fixed unit rate services;
  - 2. Pass through paid costs.
- E. Invoiced prices and costs shall be for properties on which fee or installments were earned and/or Pass Through Costs were paid during the period covered by the invoice or from an earlier period but not previously invoiced.
- F. **Fixed-Unit Rate Services** - The following types of items may be included on a single invoice:
  - 1. PROPERTY MANAGEMENT FEE - a fixed fee per property for all requirements as stated in Section B.7, CLIN Description. The Contractor shall invoice one fourth of the property management fee each month for four months beginning with the month the property is assigned.
  - 2. VACANT LOT MANAGEMENT FEE - a fixed fee per property for all requirements as stated in Section B.7, CLIN Description. The Contractor shall invoice one fourth of the vacant lot management fee each month for four months beginning with the month the property is assigned.
  - 3. MARKETING FEE - a fixed percentage of the net offer amount for each property closed and reconciled within the period covered by the invoices as stated in Section B.7, CLIN Description.
  - 4. HELD OFF MARKET FEE - a fixed monthly fee for those ongoing maintenance requirements as stated in Section B.7, CLIN Description.

5. CUSTODIAL FEE - a fixed fee per property for all requirements as stated in Section B.7, CLIN Description. The Contractor shall invoice monthly beginning with the month the property is assigned.

G. **Pass Through Costs**

1. In addition to the information required by clause 52.232-25, "Prompt Payment" (see Section I), the Contractor shall provide documentary evidence (e.g., receipts, or other documentation acceptable to the Contracting Officer) to support each item of cost that is considered a pass through cost. The Contractor is required to submit a photocopy of the Subcontractor's invoice or other billing mechanism (which must include a telephone number for the Subcontractor), and a stamped certification by the Contractor stating that the bill was paid on \_\_\_\_\_ date, by check # \_\_\_\_\_, with the Contractor's personnel initials affixed. The Contractor can consider the bill paid once the check for payment has been mailed. The Contractor shall also submit the invoices from vendors, suppliers, etc. The post code on the form SAMS-1106, must reflect the specific service/item supplied to the Contractor and indicate the FHA case number, if applicable.
2. The Contractor shall request reimbursement (for pass through cost) twice each month on the 15<sup>th</sup> and on the 30<sup>th</sup> (if the 15<sup>th</sup> or the 30<sup>th</sup> falls on a weekend or a holiday, the following business day). Contractor must pay the pass through expense first and then request reimbursement from HUD.

a) **Invoice Procedure**

- (1) **Invoice Transmittal Form** - Requests by the Contractor for payments for services rendered or reimbursement of incurred (pass through) costs shall be made by submitting SAMS generated form SAMS-1106, Invoice Transmittal. No other form of disbursement request is acceptable. The post code on the form SAMS-1106, must reflect the service supplied to the Contractor and be case specific, if applicable.
- (2) The Contractor shall prepare form SAMS-1106 for related disbursement transactions in accordance with applicable instructions. The Contractor shall enter the data from the form SAMS-1106 into SAMS and obtain transmittal numbers. The paper copies of form SAMS-1106 with appropriate documentation attached shall be forwarded to the GTR for review and approval. If approved, the GTR shall forward the payment packages to HUD's service center Contractor for disbursement.
  - a. The Contractor shall sign item 19 and show title, telephone number and date and forward to the GTR.

3. **Completion of form SAMS-1106**

- a) The Contractor's correct NAID identifier and name must appear on the form SAMS-1106 in blocks 6 and 7 respectively. The name must be consistent with the name and address found on the attached invoice(s).
- b) The payment type must be correctly designated, i.e., "PROMPT PAYMENT," INCLUDING THE START DATE; "NON-PROMPT PAYMENT"; or "DISCOUNT", including the due date and percentage. Payment requests for Contractor reimbursement (Pass Through Cost) are always designated as "NON-PROMPT PAYMENT". Payments to the Contractor for compensation for required services are "PROMPT PAYMENT".
- c) The "INVOICE NO." and invoice date must be included and correctly transferred from the original invoice. All invoices must contain such a number.
- d) The contract number, if applicable, must be associated with the Contractor's NAID identifier.
- e) The "PC" (post code) must be correct. Regular, frequent monitoring of original disbursement documentation is carried out by HUD to ensure, among other things, use of appropriate post codes. Failure to use appropriate post codes causes incorrect reporting of expenses.
- f) The "FHA CASE NUMBER" must be correct and, if a case specific post code is used, established in SAMS.
- g) The "AMOUNT PER POST CODE" must equal the sum of all items charged to the post code.
- h) The "INVOICE TOTAL" must equal the sum of all items listed on the invoice.
- i) The "TRANSMITTAL TOTAL" must equal the sum of all invoices referenced in and attached to the transmittal.
- j) The preparer must sign and date the transmittal.
- k) **Original** invoices (or certified copies) and/or other appropriate documents must be attached. Invoices or attachments must state:
  - (1) Name and correct business address of vendor.
  - (2) Invoice number (correctly noted on form SAMS-1106).
  - (3) Date invoice was issued/prepared and/or date of service/delivery of merchandise or goods.

- (4) Specific case numbers or property addresses (when applicable).
  - (5) Amount per type of service, goods, or merchandise, per case number/address.
  - (6) Description of goods or services provided.
  - (7) Applicable purchase order or contract number.
  - (8) Appropriate documentation for GTR approved repairs or replacements
- l) **If the form SAMS-1106 is not approved** by HUD, the payment package will be returned to the Contractor for correction or additional documentation.

#### **G.5 ORDERING PROCEDURES (INDEFINITE QUANTITY/FIXED-UNIT-PRICE)**

- (a) The Government will assign work to the Contractor through the Contractor's receipt of HUD Form 27011 from the lender or written notification from the GTR as described in Section C. 2.1.3, Acquisition Types. The GTR will provide concurrences to the Contracting Officer for both lender and GTR assignments. The Contractor shall maintain a report of all lender assignments/orders and will provide to the GTR on request.
- (b) All assignments/orders are subject to the terms and conditions of this contract. In the event of conflict between an assignment/order and this contract, the contract shall control.

## **SECTION H - SPECIAL CONTRACT REQUIREMENTS**

### **H.1 ADDITIONAL RESPONSIBILITIES**

The Contractor shall take proper health and safety precautions to protect contractor's employees (including subcontractors), and the public. The Contractor shall obtain and maintain all necessary permits, franchises, licenses, or other authorizations and certifications as required by the State, county, parish, city or other local jurisdiction to perform the services required by this contract. The Contractor shall ensure that that subcontractors obtain and maintain permits, franchises, licenses, and other authorizations or certifications as required by the State, county, parish, city, or other local jurisdiction to perform the services required by this contract. The Contractor shall be responsible for all fines and assessments levied resulting from the Contractor's failure to obtain such licenses and permits as required or the non-compliance of applicable Federal, State and municipal laws, codes and regulations. The Contractor is responsible for any and all injuries/damages to persons and/or property resulting from the Contractor's performance under this contract.

### **H.2 OPTION TO INCREASE THE GEOGRAPHIC SERVICE AREA**

The Government may unilaterally increase the geographic service areas of this contract, by contract modification. The prices for the services ordered in the increased service areas shall be those previously negotiated for those geographic areas and in effect for the ordering period during which the services are ordered. If any such change causes an increase or decrease in the previously negotiated prices, the contractor must assert its right to an equitable adjustment within 30 days from the date of receipt of the written unilateral change.

### **H.3 HUDAR 2452.239-70 BACKGROUND INVESTIGATIONS FOR SENSITIVE AUTOMATED SYSTEMS/APPLICATIONS (DEVIATION) (JAN 2002)**

- (a) General. This contract involves work on, or access to Single Family Insurance System (SFIS) and Single Family Acquired Asset Management System (SAMS), a HUD information resource that is either a major application system or any general support system. A major application system is a mission critical system, a system or information resource which has high investment cost. A general support system is any computer facility or major component there of, or any network or telecommunications resource. All contractor employees, including subcontractors and consultants, working on this contract in positions that HUD has determined to require or have access to mission critical/sensitive information resource(s) identified above are required to have a background investigation. The investigation shall be commensurate with the risk and security controls involved in managing, using or operating the resources identified above, consistent with 5 CFR 731. HUD may bar contractor employees from working on this contract for failing to meet or maintain the applicable suitability standards administered by the Department's Personnel Security Branch.
- (b) Citizenship-related requirements. All contractor employees as described in paragraph (a) shall:
  - (1) be United States (U.S.) citizens; or

- (2) owe allegiance to the U.S., i.e., born in an outlying possession of the United States (including American Samoa, Swains Island, and the Northern Mariana Islands) on or after the date of formal acquisition of such possession, or who are children of nationals under certain circumstances, or who meet other requirements described in law at 8 U.S.C. § 1408.
- (c) Background investigation process.
- (1) The Government Technical Representative (GTR) shall notify the contractor of those contractor employee positions requiring background investigations. For each contractor employee in such a position, the contractor shall submit the following completed forms: Standard Form (SF) 85P Questionnaire for Public Trust Positions, which is available from the Office of Personnel Management's website: <http://www.opm.gov>; FD-258, Fingerprint Chart; Fair Credit Reporting Act authorization form; and other information as may be identified by the GTR. The contractor shall submit an original and one copy of the SF 85P. The section entitled, "Authorization for Release of Medical Information" of the SF 85P should not be submitted. The GTR shall provide all forms not obtainable through the Internet. All contractor employees who have had a federal background investigation may submit the following: name, social security number, and place/date of birth for verification in lieu of the aforementioned documents.
  - (2) The contractor shall deliver the forms and information required in paragraph (c)(1) to the GTR as soon as practicable once the contractor knows that the employee will be assigned to this contract. No contractor employee will be given access to the systems described in paragraph (a) until the investigative forms described in paragraph (c)(1) have been received by the GTR.
  - (3) The investigation process shall consist of a range of personal background inquiries and contacts (written and personal) and verification of the information provided on the security forms described in paragraph (c)(1).
  - (4) Upon completion of the investigation process, HUD's Personnel Security Branch shall notify the appropriate HUD manager(s) of adverse information that may affect contractor employee's eligibility to work on this contract. The HUD manager(s) will make a suitability determination concerning the contractor employee's eligibility for continued employment on the contract. The HUD manager(s) will notify the Contracting Officer when any contractor employee(s) is (are) determined to be unsuitable for continued employment under the contract. The Contracting Officer will notify the contractor in writing of such determination. Upon receiving the notification, the contractor shall remove such employee from the contract.
  - (5) Failure of the GTR to notify the contractor (see paragraph (c)(1)) of any employee who should be subject to the requirements of this clause and is known, or should reasonably be known, by the contractor to be subject to the requirements of this clause shall not excuse the contractor from making such employee known to the GTR. Any such employee who is identified and is working under the contract without having had a background investigation shall cease to perform such work and shall not be given access

to the resources described in paragraph (a) until the contractor has provided the investigative forms required in paragraph (c)(1) for the employee to the GTR.

- (6) The contractor shall notify the GTR in writing whenever a contractor employee for whom a background investigation package was required and submitted to HUD, or for whom a background investigation was completed, terminates employment with the contractor or otherwise is no longer performing work under this contract that requires access to the resources described in paragraph
  - (a) The contractor shall provide a copy of the written notice to the Contracting Officer.
  - (b) Security breach notification. A security breach is defined as an event that results in unauthorized access, loss, disclosure, modification, or destruction of information resources whether accidental or deliberate. The contractor shall immediately notify the GTR and the Contracting Officer of any breach or suspected breach of security, or any unauthorized disclosure of the information contained in the automated system specified in this contract.
  - (c) Nondisclosure of information.
    - (1) Neither the contractor nor any of its employees shall divulge or release data or information developed or obtained during performance of this contract, except to authorized Government personnel with an established need to know or upon written approval of the Contracting Officer. Information contained in all source documents and other media provided by HUD are the sole property of HUD.
    - (2) The contractor shall require that any employees who may have access to the automated systems identified in paragraph (a) sign a pledge of nondisclosure of information. The employees shall sign these pledges before they are permitted to perform work under this contract. The contractor shall maintain the signed pledges for a period of three years after final payment under this contract. A copy of these pledges shall be provided to the GTR.
  - (d) Security procedures. The contractor shall establish security procedures that meet, as a minimum, the relevant requirements of HUD's Handbook 2400.24 and Handbook 732.3, Personnel Security/Suitability, which are available at <http://www.hudclips.org/subscriber/cgi/legis.cgi> or from the GTR. The contractor shall provide a copy of such procedures and any revisions made to them during the period of the contract to the GTR.
  - (e) Contractor compliance. Failure on the part of the contractor to comply with the terms of this clause may result in termination of this contract for default.
  - (f) Other clearance requirements. When any work performed by contractor personnel on-site in a HUD facility meets the criteria set forth in HUDAR 2437. 110(e), the

contractor shall also comply with the requirements of HUDAR clause 2452.237-75, Clearance of Contractor Personnel.

- (g) Subcontracts. The contractor shall incorporate this clause in all subcontracts where the requirements specified in paragraph (a) of this section are applicable to performance of the subcontract.

#### **H.4 HUDAR 2452.239-71 INFORMATION TECHNOLOGY VIRUS SECURITY**

- (a) The Contractor hereby agrees to make every reasonable effort to deliver information technology products to HUD free of known computer viruses. The Contractor shall be responsible for examining all such products prior to their delivery to HUD using software tools and processes capable of detecting all known viruses.
- (b) The Contractor shall include the following statement on deliveries of hardware, software, and data products, including diskettes, made under this contract:  
  
"This product has been scanned for known viruses using [name of virus- screening product, including version number, if any] and is certified to be free of known viruses at the time of delivery".
- (c) The Contracting Officer may assess monetary damages against the Contractor sufficient to compensate HUD for actual or estimated costs resulting from computer virus damage or malicious destruction of computer information arising from the Contractor's failure to take adequate precautions to preclude delivery of virus-containing products in the delivery of hardware, software, or data on diskettes under this contract.
- (d) This clause shall not subrogate the rights of the Government under any other clause of this contract.

#### **H.5 DISCLOSURE OF CONFIDENTIAL, PROPRIETARY OR SENSITIVE INFORMATION**

- A. As part of the performance of the work required under this contract, the Contractor may be provided, or otherwise legitimately obtain, access to information of a proprietary, confidential or sensitive nature concerning third parties. Such material may include information that may be used by HUD or other Governmental agencies in pursuing administrative remedies, civil litigation or criminal prosecution of such third parties. Disclosure of any of this information may have a negative impact on the Government's ability to pursue such actions and/or the rights of the other parties in these cases. (In the case of criminal and civil actions, other Federal and local laws regarding obstruction of justice may also apply.)
- B. The Contractor shall not disclose or distribute any information as described in paragraph (A) to any party (including Contractor employees, Subcontractors and consultants having a need to know this information) without the advance written approval of the Contracting Officer. Any such request must clearly describe the information to be disclosed and specifically state to whom the disclosure will be made.

## H.6 AFFIRMATIVE FAIR HOUSING

- A. The Contractor agrees that neither he/she nor any of his/her property sales or rental personnel, employees, or other authorized to act for him/her will, in violation of Title VIII of the Civil Rights Act of 1968 (the "Fair Housing" Title of Public Law 90-284) or Executive Order 11063, decline to show or will discriminate because of race, color, religion, sex, or national origin, handicap or familial status in the sale, advertisement, or rental of any property (ies).
- B. The Contractor agrees to:
- (1) Instruct his/her staff, as well as site staff on the policies of nondiscrimination and applicable laws;
  - (2) Prominently display the Fair Housing poster in all offices in which rental activity takes place;
  - (3) use the approved Equal Housing Opportunity logo, slogan or statement in advertising; and displayed on the property sign; and
  - (4) when advertising any properties located in an area consisting predominantly of one Ethnic group, utilize any available media, including minority media, to attract interest from potential residents from other than the predominant group.

## H.7 CONFLICT OF INTEREST

1. **General Rule** - The Contractor shall not engage in or permit any conflict of interest. In addition to any other conflicts of interest prohibited under applicable law, each of the following situations shall constitute a conflict of interest. The term Management Official is defined for this PWS in Section 2.2 to include various persons, including employees. The definition of the term Subcontractor includes various persons including a listing broker used by the Contractor to list HUD-owned properties. The definition of the term Affiliated Entity of a Subcontractor includes various persons, including any agent or broker, licensed under a listing broker used by the Contractor to list HUD-owned properties.
- (a) **Appraisals and BPOs** – The Contractor obtains appraisals or broker price opinions (BPOs) from itself, its Management Officials, Immediate Family members of its Management Officials, or its Affiliated Entities.
  - (b) **Appraisal and BPO Reviews** – The Contractor obtains the services of an Entity to review an appraisal or BPO when such Entity is an Affiliated Entity of the Entity that prepared the appraisal or BPO being reviewed.
  - (c) **Brokers** - Subject to the exceptions in 5.1.14.2.1, the Contractor, Subcontractor, a Management Official of the Contractor or Subcontractor, an Immediate Family member of a Management Official of the Contractor or Subcontractor, or an Affiliated Entity of

the Contractor or Subcontractor (a) represents the buyer of a HUD-Owned Property, (b) receives any portion of the broker's sales commission (including any authorized Selling Broker bonuses or incentives) paid by HUD upon the sale of a HUD-Owned Property, or (c) receives any form of payment, income, revenue, compensation, or anything else of value from the broker who procures a buyer who actually closes on the purchase of a HUD-Owned Property;

- (d) **Excluded Purchasers and Lessors** - Subject to the exceptions in 5.1.14.2.2, the Contractor, Subcontractor, a Management Official of the Contractor or Subcontractor, an Immediate Family member of a Management Official of the Contractor or Subcontractor, an Affiliated Entity of the Contractor or Subcontractor, and any other Entity under contract with HUD who prepared reports used as the basis for the List Price or acceptance of a bid, or a HUD employee or person related to a HUD employee by blood, law, or marriage purchases or leases a HUD-Owned Property.
- (e) **Pass-Throughs** – The Contractor obtains from an Affiliated Entity of the Contractor, a service for which pass-through reimbursement may be made.
- (f) **Kick-backs, Rebates, Referral Fees** – The Contractor, a Management Official of the Contractor, an Immediate Family member of a Management Official of the Contractor, or an Affiliated Entity of the Contractor directly or indirectly receives any form of payment, income, revenue, compensation, or anything else of value from any person or entity, other than HUD or the Contractor, for performance of the Contractor's responsibilities under this PWS.

## 2. Exceptions to General Rule

- (a) **Listing Brokers** – The prohibition in 5.1.14.1.3 shall not prohibit a listing broker who is a Subcontractor, Management Official of a Subcontractor, Immediate Family member of a Management Official of a Subcontractor, or Affiliated Entity of a Subcontractor, from receiving any portion of the broker's sales commission (including any authorized Selling Broker bonuses or incentives) if (a) the listing broker is representing a purchaser in a dual agency capacity where permitted under State and/or local law and agreed to in writing by the purchaser; and (b) the listing broker is not a Management Official of the Contractor, Immediate Family member of a Management Official of the Contractor, or Affiliated Entity of the Contractor.
- (b) **Excluded Purchasers** - The prohibition in 5.1.14.1.4 shall not prohibit a HUD employee or person related to a HUD employee by blood, law, or marriage from purchasing a HUD-Owned Property if (a) he has received prior written permission from HUD's Director of Single Family Asset Management, Headquarters, to submit a bid; (b) his offering price meets or exceeds the List Price; and (c) the HUD-Owned Property has been listed for at least fifteen (15) consecutive days from the date the property was first listed under the Exclusive Listing Period. The prohibition in 5.1.14.1.4 shall not prohibit a tenant from purchasing a HUD-Owned Property under a right of first refusal if the tenant (a) is not the former mortgagor whose default led to HUD's acquisition of the HUD-Owned Property in question; and (b) is, as to Contractor or Subcontractor, a Management Official or Affiliated Entity, or is an Immediate Family member of a Management

Official of the Contractor or Subcontractor. The prohibition in 5.1.14.1.4 shall not prohibit an individual or entity from purchasing or leasing a property solely on the basis that the individual or entity is a listing broker except that neither the listing broker nor any agent, salesperson or broker licensed under the listing broker may purchase or lease any HUD property listed by the listing broker.

- (c) **Notices** - The Contractor shall notify the GTR of any actual or suspected conflict of interest or the attempted purchase or lease by any Entity under contract with HUD who prepared reports used as the basis for the List Price or to accept a bid.

## **H.8 ACCESS TO PROPERTY AND PROPERTY RECORDS**

- A. In accordance with FAR 52.246-4, Inspection of Service Clause, the Contractor shall permit HUD, and its authorized representatives the right of entry and free access to assigned properties and the right to examine the books and other data of the Contractor regarding property(ies) under this contract.
- B. The Contractor agrees that the books and other records maintained by the Contractor under this contract are the property of the Government and shall be made available for review at any reasonable time upon demand.

## **H.9 LIEN RELEASE**

The Contractor shall not, in connection with any work done or claimed to have been done by or on behalf of the Contractor, create, place, permit to be created or placed, or allow to remain any mechanic's, laborer's, or material man's lien (collectively, a mechanic's lien) against any property. If a mechanic's lien is filed, within ten (10) business days of such filing or such shorter time period necessary to meet any scheduled closing on a property, the Contractor shall cause the mechanic's lien to be discharged of record by payment, deposit, bond, order of court, or otherwise.

The Contractor shall implement procedures, as described in its Quality Control (QC) Plan, to minimize the opportunity for a property to become subject to a mechanic's lien and to promptly cause any mechanic's liens to be discharged of record. At a minimum, the Contractor shall include in its QC Plan the following procedures to minimize the opportunity for a property to become subject to a mechanic's lien: (1) incorporate an express provision in each subcontract for lienable work whereby the Subcontractor waives its rights to a mechanic's lien and agrees to not file a lien; (2) obtain waivers and releases of liens from Subcontractors who performed lienable work; and (3) adopt an early-warning system to identify when bills or claims which may become liens against a property are not promptly paid, settled, or compromised. If any of the QC procedures listed in the foregoing sentence are not permitted by law, the Contractor shall expressly state in its QC Plan the legal authority for the prohibition and the alternative procedures the Contractor shall employ to minimize the opportunity for a property to become subject to a mechanic's lien. It is the Contractor's responsibility to determine what is "lienable work" in each jurisdiction. For example, some jurisdictions may permit liens for professional services such as appraisals and inspections whereas other jurisdictions may not permit liens for such services. The QC Plan shall identify what is lienable work within each jurisdiction.

## H.10 OFFICE LOCATION

The Contractor shall maintain a fully staffed and equipped office in each geographic contract area in which the Contractor is awarded a contract (Contract Area Office) as specified in Section C - 5.1.3.

## H.11 SERVICE CONTRACT ACT (SCA)

The current Wage Determinations applicable to this contract are as follows (see clause 52.222-41, Service Contract Act of 1965, as Amended (May 1989) in Section I):

NUMBER	REVISION NO.	DATE OF LAST REVISION
1994-2005	19	10/21/2003
1994-2115	30	06/26/2003
1994-2131	24	03/15/2004
1994-2132	18	03/15/2004
1994-2133	24	03/19/2004
1994-2134	18	03/19/2004
1994-2135	23	04/13/2004
1994-2136	20	04/13/2004
1994-2137	22	03/22/2004
1994-2138	18	03/22/2004
1994-2139	27	03/02/2004
1994-2140	20	03/02/2004
1994-2141	28	05/30/2003
1994-2142	22	04/25/2003
1994-2491	22	09/16/2003

The contractor may obtain a copy of the applicable wage determinations at the DOL website: [www.dol.gov](http://www.dol.gov) or [www.servicecontract.fedworld.gov/scacty.htm](http://www.servicecontract.fedworld.gov/scacty.htm).

## H. 12 SMALL BUSINESS SUBCONTRACTING REPORTING

Thirty (30) days prior to the exercise of any options under this contract, the contractor shall submit a subcontracting report to the GTR with a copy going to the Principal Contracting Officer (PCO) detailing the contractor's efforts and successes in meeting its commitment to the agency's subcontracting goals.

### **H.13 CHANGE OF SUBCONTRACTORS**

The following major subcontractor(s) has been identified to provide support and services to the Contractor in the completion of tasks outlined in the PWS.

- **XXXXX**

Prior to changing or substituting any of the above subcontractor(s), the Contractor shall notify the Contracting Officer reasonably in advance and shall submit justification (including proposed substitutions) in sufficient detail to permit evaluation of the impact on the program. The performance capability of any proposed new subcontractor shall not adversely affect the performance of Management and Marketing services by the contractor.

## PART II - CONTRACT CLAUSES

### SECTION I - CONTRACT CLAUSES

#### I.1 NOTICE LISTING CONTRACT CLAUSES INCORPORATED BY REFERENCE

The following contract clauses pertinent to this section are hereby incorporated by reference (by Citation Number, Title, and Date) in accordance with the clause at FAR "52.252-2 CLAUSES INCORPORATED BY REFERENCE" in Section I of this contract. See the Internet address specified below for electronic access to the full text of a clause.

[www.arnet.gov/far/](http://www.arnet.gov/far/)

NUMBER	TITLE	DATE
52.202-1	DEFINITIONS	DEC 2001
52.203-3	GRATUITIES	APR 1984
52.203-5	COVENANT AGAINST CONTINGENT FEES	APR 1984
52.203-6	RESTRICTIONS ON SUBCONTRACTOR SALES TO THE GOVERNMENT	JUL 1995
52.203-7	ANTI-KICKBACK PROCEDURES	JUL 1995
52.203-8	CANCELLATION, RESCISSION, AND RECOVERY OF FUNDS FOR ILLEGAL OR IMPROPER ACTIVITY	JAN 1997
52.203-10	PRICE OR FEE ADJUSTMENT FOR ILLEGAL OR IMPROPER ACTIVITY	JAN 1997
52.203-12	LIMITATION ON PAYMENTS TO INFLUENCE CERTAIN FEDERAL TRANSACTIONS	JUN 1997
52.204-4	PRINTED OR COPIED DOUBLE-SIDED ON RECYCLED PAPER	AUG 2000
52.209-6	PROTECTING THE GOVERNMENT'S INTEREST WHEN SUBCONTRACTING WITH CONTRACTORS DEBARRED, SUSPENDED, OR PROPOSED FOR DEBARMENT	JUL 1995
52.215-2	AUDIT AND RECORDS—NEGOTIATION ALTERNATE I (OCT 1995)	JAN 1997
52.215-8	ORDER OF PRECEDENCE--UNIFORM CONTRACT FORMAT	OCT 1997
52.215-10	PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA	OCT 1997
52.215-12	SUBCONTRACTOR COST OR PRICING DATA	OCT 1997
52.215-15	PENSION ADJUSTMENTS AND ASSET REVERSIONS	DEC 1998
52.215-18	REVERSION OR ADJUSTMENT OF PLANS FOR POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (PRB)	OCT 1997
52.215-19	NOTIFICATION OF OWNERSHIP CHANGES	OCT 1997
52.216-7*	ALLOWABLE COST AND PAYMENT	DEC 2002
52.217-9	OPTION TO EXTEND THE TERM OF THE CONTRACT	MAR 2000
52.219-4	NOTICE OF PRICE EVALUATION PREFERENCE FOR HUBZONE SMALL BUSINESS CONCERNS	JAN 1999

52.219-6#	NOTICE OF TOTAL SMALL BUSINESS SET-ASIDE	JUN 2003
52.219-8	UTILIZATION OF SMALL BUSINESS CONCERNS	OCT 2000
52.219-11@	SPECIAL 8(a) CONTRACT CONDITIONS	FEB 1990
52.219-12@	SPECIAL 8(a) SUBCONTRACT CONDITIONS	FEB 1990
52.219-14#	LIMITATIONS ON SUBCONTRACTING	DEC 1996
52.219-16	LIQUIDATED DAMAGES-SMALL BUSINESS SUBCONTRACTING PLAN	JAN 1999
52.219-17@	SECTION 8(a) AWARD	DEC 1996
52.219-25	SMALL DISADVANTAGED BUSINESS PARTICIPATION PROGRAM--DISADVANTAGED STATUS AND REPORTING	OCT 1999
52.222-1	NOTICE TO THE GOVERNMENT OF LABOR DISPUTES	FEB 1997
52.222-3	CONVICT LABOR	AUG 1996
52.222-4	CONTRACT WORK HOURS AND SAFETY STANDARDS ACT-OVERTIME COMPENSATION	SEP 2000
52.222-6**	DAVIS BACON ACT	FEB 1995
52.222-7**	WITHHOLDING OF FUNDS	FEB 1988
52.222-8**	PAYROLLS AND BASIC RECORDS	FEB 1988
52.222-9**	APPRENTICES AND TRAINEES	FEB 1988
52.222-10**	COMPLIANCE WITH COPELAND ACT REQUIREMENTS	FEB 1988
52.222-11**	SUBCONTRACTS (LABOR STANDARDS)	FEB 1988
52.222-12**	CONTRACT TERMINATION-DEBARMENT	FEB 1988
52.222-13**	COMPLIANCE WITH DAVIS BACON AND RELATED ACT REGULATIONS	FEB 1988
52.222-14	DISPUTES CONCERNING LABOR STANDARDS	FEB 1988
52.222-15	CERTIFICATION OF ELIGIBILITY	FEB 1988
52.222-19	CHILD LABOR - COOPERATION WITH AUTHORITIES AND REMEDIES	SEP 2002
52.222-21	PROHIBITION OF SEGREGATED FACILITIES	FEB 1999
52.222-26	EQUAL OPPORTUNITY	APR 2002
52.222-35	EQUAL OPPORTUNITY FOR SPECIAL DISABLED VETERANS, OF THE VIETNAM ERA, AND OTHER ELIGIBLE VETERANS	DEC 2001
52.222-36	AFFIRMATIVE ACTION FOR WORKERS WITH DISABILITIES	JUN 1998
52.222-37	EMPLOYMENT REPORTS ON SPECIAL DISABLED VETERANS, VETERANS OF THE VIETNAM ERA, AND OTHER ELIGIBLE VETERANS	DEC 2001
52.222-38	COMPLIANCE WITH VETERANS' EMPLOYMENT REPORTING REQUIREMENTS	DEC 2001
52.222-41***	SERVICE CONTRACT ACT OF 1965, AS AMENDED	MAY 1989
52.222-42***	STATEMENT OF EQUIVALENT RATES FOR FEDERAL HIRES	MAY 1989
52.222-43***	FAIR LABOR STANDARDS ACT AND SERVICE CONTRACT ACT-PRICE ADJUSTMENT (MULTIPLE YEAR AND OPTION CONTRACTS)	MAY 1989
52.222-44***	FAIR LABOR STANDARDS ACT AND SERVICE CONTRACT ACT-PRICE ADJUSTMENT	FEB 2002
52.223-6	DRUG-FREE WORKPLACE	MAY 2001
52.223-12	REFRIGERATION EQUIPMENT AND AIR	MAY 1995

	CONDITIONERS	
52.223-14	TOXIC CHEMICAL RELEASE REPORTING	OCT 2000
52.225-1	BUY AMERICAN ACT-SUPPLIES	MAY 2002
52.225-13	RESTRICTIONS ON CERTAIN FOREIGN PURCHASES	JUL 2000
52.227-1	AUTHORIZATION AND CONSENT	JUL 1995
52.227-2	NOTICE AND ASSISTANCE REGARDING PATENT AND COPYRIGHT INFRINGEMENT	AUG 1996
52.227-9	REFUND OF ROYALTIES	APR 1984
52.227-14	RIGHTS IN DATA-GENERAL	JUN 1987
52.228-5	INSURANCE-WORK ON A GOVERNMENT INSTALLATION	JAN 1997
52.228-7	INSURANCE--LIABILITY TO THIRD PERSONS	MAR 1996
52.229-3	FEDERAL, STATE, AND LOCAL TAXES	JAN 1991
52.229-5	TAXES--CONTRACTS PERFORMED IN U.S. POSSESSIONS OR PUERTO RICO	APR 1984
52.232-1	PAYMENTS	APR 1984
52.232-8	DISCOUNTS FOR PROMPT PAYMENT	FEB 2002
52.232-9	LIMITATION ON WITHHOLDING OF PAYMENTS	APR 1984
52.232-11	EXTRAS	APR 1984
52.232-17	INTEREST	JUN 1996
52.232-20*	LIMITATION OF COST	APR 1984
52.232-22*	LIMITATION OF FUNDS	APR 1984
52.232-23	ASSIGNMENT OF CLAIMS	JAN 1986
52.232-32	PERFORMANCE-BASED PAYMENTS	FEB 2002
52.232-33	PAYMENT BY ELECTRONIC FUNDS--CENTRAL CONTRACTOR REGISTRATION	OCT 2003
52.233-1	DISPUTES	JUL 2002
	ALTERNATE I (DEC 1991)	
52.233-3	PROTEST AFTER AWARD	AUG 1996
52.233-3*	PROTEST AFTER AWARD ALTERNATE I	JUN 1985
52.237-3	CONTINUITY OF SERVICES	JAN 1991
52.242-1*	NOTICE OF INTENT TO DISALLOW COSTS	APR 1984
52.242-13	BANKRUPTCY	JUL 1995
52.243-1	CHANGES--FIXED PRICE ALTERNATE I (APR 1994)	AUG 1987
52.243-2*	CHANGES--COST-REIMBURSEMENT ALTERNATE IV (APR 1984)	AUG 1987
52.244-2*	SUBCONTRACTS ALTERNATE II (AUG 1998)	AUG 1998
52.244-5	COMPETITION IN SUBCONTRACTING	DEC 1996
52.244-6	SUBCONTRACTS FOR COMMERCIAL ITEMS	MAY 2002
52.246-20	WARRANTY OF SERVICES	MAY 2001
52.246-25	LIMITATION OF LIABILITY--SERVICES	FEB 1997
52.248-1	VALUE ENGINEERING	FEB 2000
52.249-2	TERMINATION FOR CONVENIENCE OF THE GOVERNMENT (FIXED PRICE)	SEP 1996
52.249-6*	TERMINATION (COST REIMBURSEMENT)	SEP 1996
52.249-8	DEFAULT (FIXED-PRICE SUPPLY AND SERVICE)	APR 1984
52.253-1	COMPUTER GENERATED FORMS	JAN 1991
2452.203-70	PROHIBITION AGAINST THE USE OF FEDERAL	DEC 1992

2452.209-72	EMPLOYEES	APR 1984
2452.222-70	ORGANIZATIONAL CONFLICTS OF INTEREST ACCESSIBILITY OF MEETINGS, CONFERENCES, AND SEMINARS TO PERSONS WITH DISABILITIES	JUL 1988

- \* Applicable to pass through cost only.
- \*\* Davis-Bacon Act clauses –applies to construction work under this contract.
- \*\*\* Service Contract Act clauses –applies to service contract act.
- @ Applicable to Small Business Administration 8(a) contracts.
- # Applicable to Small Business awards

**I.2. 52.215-21 REQUIREMENTS FOR COST OR PRICING DATA OR INFORMATION OTHER THAN COST OR PRICING DATA--MODIFICATIONS (OCT 1997)**

(a) Exceptions from cost or pricing data.

(1) In lieu of submitting cost or pricing data for modifications under this contract, for price adjustments expected to exceed the threshold set forth at FAR 15.403-4 on the date of the agreement on price or the date of the award, whichever is later, the Contractor may submit a written request for exception by submitting the information described in the following subparagraphs. The Contracting Officer may require additional supporting information, but only to the extent necessary to determine whether an exception should be granted, and whether the price is fair and reasonable—

- (i) Identification of the law or regulation establishing the price offered. If the price is controlled under law by periodic rulings, reviews, or similar actions of a governmental body, attach a copy of the controlling document, unless it was previously submitted to the contracting office.
- (ii) Information on modifications of contracts or subcontracts for commercial items.

(A) If--

- (1) The original contract or subcontract was granted an exception from cost or pricing data requirements because the price agreed upon was based on adequate price competition or prices set by law or regulation, or was a contract or subcontract for the acquisition of a commercial item; and
- (2) The modification (to the contract or subcontract) is not exempted based on one of these exceptions, then the Contractor may provide information to establish that the modification would not change the contract or subcontract from a contract or subcontract for the acquisition of a commercial item to a contract or subcontract for the acquisition of an item other than a commercial item.

- (B) For a commercial item exception, the Contractor shall provide, at a minimum, information on prices at which the same item or similar items have previously been sold that is adequate for evaluating the reasonableness of the price of the modification. Such information may include--
- (1) For catalog items, a copy of or identification of the catalog and its date, or the appropriate pages for the offered items, or a statement that the catalog is on file in the buying office to which the proposal is being submitted. Provide a copy or describe current discount policies and price lists (published or unpublished), e.g., wholesale, original equipment manufacturer, or reseller. Also explain the basis of each offered price and its relationship to the established catalog price, including how the proposed price relates to the price of recent sales in quantities similar to the proposed quantities.
  - (2) For market-priced items, the source and date or period of the market quotation or other basis for market price, the base amount, and applicable discounts. In addition, describe the nature of the market.
  - (3) For items included on an active Federal Supply Service Multiple Award Schedule contract, proof that an exception has been granted for the schedule item.
  - (4) The Contractor grants the Contracting Officer or an authorized representative the right to examine, at any time before award, books, records, documents, or other directly pertinent records to verify any request for an exception under this clause, and the reasonableness of price. For items priced using catalog or market prices, or law or regulation, access does not extend to cost or profit information or other data relevant solely to the Contractor's determination of the prices to be offered in the catalog or marketplace.
    - (b) Requirements for cost or pricing data. If the Contractor is not granted an exception from the requirement to submit cost or pricing data, the following applies:
      - (1) The Contractor shall submit cost or pricing data and supporting attachments in accordance with Table 15-2 of FAR 15.408.
      - (2) As soon as practicable after agreement on price, but before award (except for unpriced actions), the Contractor shall submit a Certificate of Current Cost or Pricing Data, as prescribed by FAR 15.406-2.

**I.3 52.216-22 INDEFINITE QUANTITY (OCT 1995)**

- (a) This is an indefinite-quantity contract for the supplies or services specified, and effective for the period stated, in the Schedule. The quantities of supplies and services specified are estimates only and are not purchased by this contract.
- (b) Delivery or performance shall be made only as authorized by orders issued in accordance with the Ordering clause. The Contractor shall furnish to the Government, when and if ordered, the supplies or services specified in the Schedule up to and including the quantity designated in the Schedule as the "maximum." The Government shall order at least the quantity of supplies or services designated in the Schedule as the "minimum."
- (c) Except for any limitations on quantities in the Order Limitations clause or in the Schedule, there is no limit on the number of orders that may be issued. The Government may issue orders requiring delivery to multiple destinations or performance at multiple locations.
- (d) Any order issued during the effective period of this contract and not completed within that period shall be completed by the Contractor within the time specified in the order. The contract shall govern the Contractor's and Government's rights and obligations with respect to that order to the same extent as if the order were completed during the contract's effective period; provided, that the Contractor shall not be required to make any deliveries under this contract after twelve (12) months.

**I.4 52.217-8 OPTION TO EXTEND SERVICES (NOV 1999)**

The Government may require continued performance of any services within the limits and at the rates specified in the contract. These rates may be adjusted only as a result of revisions to prevailing labor rates provided by the Secretary of Labor. The option provision may be exercised more than once, but the total extension of performance hereunder shall not exceed 6 months. The Contracting Officer may exercise the option by written notice to the Contractor within 30 days.

**I.5 52.217-9 OPTION TO EXTEND THE TERM OF THE CONTRACT (MAR 2000)**

- (a) The Government may extend the term of this contract by written notice to the Contractor within 30 days of contract expiration; provided that the Government gives the Contractor a preliminary written notice of its intent to extend at least 60 days before the contract expires. The preliminary notice does not commit the Government to an extension.
- (b) If the Government exercises this option, the extended contract shall be considered to include this option clause.
- (c) The total duration of this contract, including the exercise of any options under this clause, shall not exceed 5 years.

**I. 6 FAR 52.219-17 SECTION 8(a) DIRECT AWARD (DEVIATION) (NOV 2001)**

(a) This contract is issued as a direct award between the contracting activity and the 8(a) Contractor pursuant to a Partnership Agreement between the Small Business Administration (SBA) and the Department of Housing and Urban Development (HUD). SBA retains responsibility for 8(a) certification, 8(a) eligibility determinations and related issues, and providing counseling and assistance to the 8(a) Contractor under the 8(a) program. The cognizant SBA district office is:

U.S. Small Business Administration  
233 Peachtree Street, NE  
Suite 1900  
Atlanta, GA 30303

(b) The contracting activity is responsible for administering the contract and taking any action on behalf of the Government under the terms and conditions of the contract. However, the contracting activity shall give advance notice to the SBA before it issues a final notice terminating performance, either in whole or in part, under the contract. The contracting activity shall also coordinate with SBA prior to processing any novation agreement. The contracting activity may assign contract administration functions to a contract administration office.

(c) The Contractor agrees:

(1) To notify the Contracting Officer, simultaneously with its notification to SBA (as required by SBA's 8(a) regulations), when the owner or owners upon whom 8(a) eligibility is based plan to relinquish ownership or control of the concern.

Consistent with 15 U.S.C. 637(a)(21), transfer of ownership or control shall result in termination of the contract for convenience, unless SBA waives the requirement for termination prior to the actual relinquishing of ownership or control.

(2) To adhere to the requirements of FAR 52.219-14, Limitations on Subcontracting.

**I.7 52.228-16 PERFORMANCE AND PAYMENT BONDS--OTHER THAN CONSTRUCTION (JULY 2000)**

(a) Definitions. As used in this clause--

Original contract price means the award price of the contract or, for requirements contracts, the price payable for the estimated quantity; or, for indefinite-quantity contracts, the price payable for the specified minimum quantity. Original contract price does not include the price of any options, except those options exercised at the time of contract award.

- (b) HUD is entrusting the Contractor with the care of valuable government property. Therefore, for the protection of the Federal Government and persons supplying labor or materials for the work under this PWS, the Contractor shall furnish a performance and a payment bond, or the Contractor may furnish the alternatives to performance and payment bonds described in FAR 28.204. The Contractor shall furnish a performance bond (Standard Form 1418) for the protection of the Government in an amount equal to two percent (2%) of the original contract price **and** a payment bond (Standard Form 1416) in an amount equal to two percent (2%) of the original contract price. The contractor should note that original contract price is the minimum ordering quantity.
- (c) In accordance with FAR 28.103-4, the Contractor shall furnish all executed bonds, including any necessary reinsurance agreements, to the Contracting Officer, within 30 calendar days following the effective date of the contract, but in any event, before starting work. For the purposes of this clause, “starting work” means the 61<sup>st</sup> day after the effective date of the contract when the Contractor shall begin performance of all contract services related to Conveyances, Custodial Properties, Preconveyance Approvals and Pending Mortgage Requests unless otherwise extended by the Contracting Officer.
- (d) The Government may require additional performance and payment bond protection if the contract price is increased. The Government may secure the additional protection by directing the Contractor to increase the penal amount of the existing bonds or to obtain additional bonds.
  - (d) The bonds shall be in the form of firm commitment, supported by sureties whose names appear on the list contained in Treasury Department Circular 570, individual sureties, or by other acceptable security such as postal money order, certified check, cashier's check, irrevocable letter of credit, or, in accordance with Treasury Department regulations, certain bonds or notes of the United States. Treasury Circular 570 is published in the Federal Register, or may be obtained from the U.S. Department of Treasury, Financial Management Service, Surety Bond Branch, 401 14th Street, NW, 2nd Floor, West Wing, Washington, DC 20227.

## **I.8 52.232-25 PROMPT PAYMENT (FEB 2002)**

Notwithstanding any other payment clause in this contract, the Government will make invoice payments under the terms and conditions specified in this clause. The Government considers payment as being made on the day a check is dated or the date of an electronic funds transfer (EFT). Definitions of pertinent terms are set forth in sections 2.101, 32.001, and 32.902 of the Federal Acquisition Regulation. All days referred to in this clause are calendar days, unless otherwise specified. (However, see paragraph (a)(4) of this clause concerning payments due on Saturdays, Sundays, and legal holidays.)

### **A. Invoice payments--**

- (1) Due date.
- (2) Except as indicated in paragraphs (a)(2) and (c) of this clause, the due date for making invoice payments by the designated payment office is the later of the following two events:

- (a) The 30th day after the designated billing office receives a proper invoice from the Contractor (except as provided in paragraph (a)(1)(ii) of this clause).
  - (b) The 30th day after Government acceptance of supplies delivered or services performed. For a final invoice, when the payment amount is subject to contract settlement actions, acceptance is deemed to occur on the effective date of the contract settlement.
- (3) If the designated billing office fails to annotate the invoice with the actual date of receipt at the time of receipt, the invoice payment due date is the 30th day after the date of the Contractor's invoice, provided the designated billing office receives a proper invoice and there is no disagreement over quantity, quality, or Contractor compliance with contract requirements.

B. Certain food products and other payments.

- (1) Due dates on Contractor invoices for meat, meat food products, or fish; perishable agricultural commodities; and dairy products, edible fats or oils, and food products prepared from edible fats or oils are--
- (2) For meat or meat food products, as defined in section 2(a)(3) of the Packers and Stockyard Act of 1921 (7 U.S.C. 182(3)), and as further defined in Pub. L. 98-181, including any edible fresh or frozen poultry meat, any perishable poultry meat food product, fresh eggs, and any perishable egg product, as close as possible to, but not later than, the 7th day after product delivery.
- (3) For fresh or frozen fish, as defined in section 204(3) of the Fish and Seafood Promotion Act of 1986 (16 U.S.C. 4003(3)), as close as possible to, but not later than, the 7th day after product delivery.
- (4) For perishable agricultural commodities, as defined in section 1(4) of the Perishable Agricultural Commodities Act of 1930 (7 U.S.C. 499a(4)), as close as possible to, but not later than, the 10th day after product delivery, unless another date is specified in the contract.
- (5) For dairy products, as defined in section 111(e) of the Dairy Production Stabilization Act of 1983 (7 U.S.C. 4502(e)), edible fats or oils, and food products prepared from edible fats or oils, as close as possible to, but not later than, the 10th day after the date on which a proper invoice has been received. Liquid milk, cheese, certain processed cheese products, butter, yogurt, ice cream, mayonnaise, salad dressings, and other similar products, fall within this classification. Nothing in the Act limits this classification to refrigerated products. When questions arise regarding the proper classification of a specific product, prevailing industry practices will be followed in specifying a contract payment due date. The burden of proof that a classification of a specific product is, in fact, prevailing industry practice is upon the Contractor making the representation.

- (a) If the contract does not require submission of an invoice for payment (e.g., periodic lease payments), the due date will be as specified in the contract.

C. Contractor's invoice. The Contractor shall prepare and submit invoices to the designated billing office specified in the contract. A proper invoice must include the items listed in paragraphs (a)(3)(i) through (a)(3)(x) of this clause. If the invoice does not comply with these requirements, the designated billing office will return it within 7 days after receipt (3 days for meat, meat food products, or fish; 5 days for perishable agricultural commodities, dairy products, edible fats or oils, and food products prepared from edible fats or oils), with the reasons why it is not a proper invoice. The Government will take into account untimely notification when computing any interest penalty owed the Contractor.

- (1) Name and address of the Contractor.
- (2) Invoice date and invoice number. (The Contractor should date invoices as close as possible to the date of the mailing or transmission.)
- (3) Contract number or other authorization for supplies delivered or services performed (including order number and contract line item number).
- (4) Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed.
- (5) Shipping and payment terms (e.g., shipment number and date of shipment, discount for prompt payment terms). Bill of lading number and weight of shipment will be shown for shipments on Government bills of lading.
- (6) Name and address of Contractor official to whom payment is to be sent (must be the same as that in the contract or in a proper notice of assignment).
- (7) Name (where practicable), title, phone number, and mailing address of person to notify in the event of a defective invoice.
- (8) Taxpayer Identification Number (TIN). The Contractor shall include its TIN on the invoice only if required elsewhere in this contract.

D. Electronic funds transfer (EFT) banking information.

- (1) The Contractor shall include EFT banking information on the invoice only if required elsewhere in this contract.
- (2) If EFT banking information is not required to be on the invoice, in order for the invoice to be a proper invoice, the Contractor shall have submitted correct EFT banking information in accordance with the applicable solicitation provision (e.g., 52.232- 38, Submission of Electronic Funds Transfer Information with Offer), contract clause (e.g., 52.232-33, Payment by Electronic Funds Transfer--Central Contractor Registration, or

52.232-34, Payment by Electronic Funds Transfer--Other Than Central Contractor Registration), or applicable agency procedures.

(3) EFT banking information is not required if the Government waived the requirement to pay by EFT.

E. Any other information or documentation required by the contract (e.g., evidence of shipment).

F. Interest penalty. The designated payment office will pay an interest penalty automatically, without request from the Contractor, if payment is not made by the due date and the conditions listed in paragraphs (a)(4)(i) through (a)(4)(iii) of this clause are met, if applicable. However, when the due date falls on a Saturday, Sunday, or legal holiday, the designated payment office may make payment on the following working day without incurring a late payment interest penalty.

(1) The designated billing office received a proper invoice.

(2) The Government processed a receiving report or other Government documentation authorizing payment, and there was no disagreement over quantity, quality, or Contractor compliance with any contract term or condition.

(3) In the case of a final invoice for any balance of funds due the Contractor for supplies delivered or services performed, the amount was not subject to further contract settlement actions between the Government and the Contractor.

G. Computing penalty amount. The Government will compute the interest penalty in accordance with the Office of Management and Budget prompt payment regulations at 5 CFR part 1315.

(1) For the sole purpose of computing an interest penalty that might be due the Contractor, Government acceptance is deemed to occur constructively on the 7th day (unless otherwise specified in this contract) after the Contractor delivers the supplies or performs the services in accordance with the terms and conditions of the contract, unless there is a disagreement over quantity, quality, or Contractor compliance with a contract provision. If actual acceptance occurs within the constructive acceptance period, the Government will base the determination of an interest penalty on the actual date of acceptance. The constructive acceptance requirement does not, however, compel Government officials to accept supplies or services, perform contract administration functions, or make payment prior to fulfilling their responsibilities.

(2) The prompt payment regulations at 5 CFR 1315.10(c) do not require the Government to pay interest penalties if payment delays are due to disagreement between the Government and the Contractor over the payment amount or other issues involving contract compliance, or on amounts temporarily withheld or retained in accordance with the terms of the contract. The Government and the Contractor shall resolve claims involving disputes and any interest that may be payable in accordance with the clause at FAR 52.233-1, Disputes.

- H. Discounts for prompt payment. The designated payment office will pay an interest penalty automatically, without request from the Contractor, if the Government takes a discount for prompt payment improperly. The Government will calculate the interest penalty in accordance with the prompt payment regulations at 5 CFR part 1315.
- I. Additional interest penalty.
- (1) The designated payment office will pay a penalty amount, calculated in accordance with the prompt payment regulations at 5 CFR part 1315 in addition to the interest penalty amount only if--
    - (a) The Government owes an interest penalty of \$1 or more;
    - (b) The designated payment office does not pay the interest penalty within 10 days after the date the invoice amount is paid; and
    - (c) The Contractor makes a written demand to the designated payment office for additional penalty payment, in accordance with paragraph (a)(7)(ii) of this clause, postmarked not later than 40 days after the invoice amount is paid.
  - (2) The Contractor shall support written demands for additional penalty payments with the following data. The Government will not request any additional data. The Contractor shall--
    - (a) Specifically assert that late payment interest is due under a specific invoice, and request payment of all overdue late payment interest penalty and such additional penalty as may be required;
    - (b) Attach a copy of the invoice on which the unpaid late payment interest is due; and
    - (c) State that payment of the principal has been received, including the date of receipt.
- J. If there is no postmark or the postmark is illegible--
- (1) The designated payment office that receives the demand will annotate it with the date of receipt, provided the demand is received on or before the 40th day after payment was made; or
  - (2) If the designated payment office fails to make the required annotation, the Government will determine the demand's validity based on the date the Contractor has placed on the demand, provided such date is no later than the 40th day after payment was made.
  - (3) The additional penalty does not apply to payments regulated by other Government regulations (e.g., payments under utility contracts subject to tariffs and regulation).
    - (a) Contract financing payment. If this contract provides for contract financing, the Government will make contract financing payments in accordance with the applicable contract financing clause.

- (b) Fast payment procedure due dates. If this contract contains the clause at 52.213-1, Fast Payment Procedure, payments will be made within 15 days after the date of receipt of the invoice.
- (c) Overpayments. If the Contractor becomes aware of a duplicate payment or that the Government has otherwise overpaid on an invoice payment, the Contractor shall immediately notify the Contracting Officer and request instructions for disposition of the overpayment.

#### **I.9 52.252-2 CLAUSES INCORPORATED BY REFERENCE (FEB 1998)**

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this/these address(es):

<http://www.hud.gov>  
<http://www.hud.gov/offices/cpo/hudar.cfm>

#### **I.10 HUDAR 2452.209-71 LIMITATION ON FUTURE CONTRACTS (FEB 2000)**

- (a) The Contracting Officer has determined that this contract may give rise to potential organizational conflicts of interest as defined at FAR Subpart 9.5.
- (b) The nature of the potential conflicts of interest are as follows:

M&M Contractors may not serve as contractors or subcontractors that perform contract monitoring, oversight or other services related to any of the tasks in this PWS. Excluded contract services include but are not limited to, Special Property Inspections, Closing Agents, M&M File and Compliance Reviews, Accounting Support Services for REO Operations, REO Disposition Analysis Modeling, Lead-Based Paint Testing and Clearance, contracts related to oversight or evaluation of Asset Control Area participants, Revision of Cost Schedules for Preservation and Protection Expenses as stated in Section C 5.1.14, and engaging in any contract or providing any service to the mortgagees concerning appeals of HUD administrative actions relating to servicing or REO of HUD insured loans.
- (c) If the Contractor, under the terms of this contract or through the performance of tasks pursuant to this contract, is required to develop specifications or statements of work that are to be incorporated into a solicitation, the Contractor shall be ineligible to perform the work described in that solicitation as a prime or first-tier Subcontractor under any ensuing HUD contract.
- (d) Other restrictions-- NONE
- (e) The restrictions imposed by this clause shall remain in effect until contract expiration.

**I.11 HUDAR 2452.237-70 KEY PERSONNEL (APR 1994)**

The personnel specified below are considered to be essential to the work being performed under this contract. Prior to diverting any of the specified individuals to other projects, the Contractor shall notify the Contracting Officer reasonably in advance and shall submit justification (including proposed substitutions) in sufficient detail to permit evaluation of the impact on the program. No diversion shall be made by the Contractor without the written consent of the Contracting Officer: Provided, that the Contracting Officer may ratify in writing such diversion and such ratification shall constitute the consent of the Contracting Officer required by this clause. This clause may be amended from time to time during the course of the contract to either add or delete personnel, as appropriate.

**Name of Key Personnel**

**Title or Labor Category**

**I. 12 AS 1302 POSTAWARD CONFERENCE**

The Contractor shall be required to attend a post-award conference. The Contracting Officer or designee will notify the Contractor of the date and time of the conference.

**PART III - LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACHMENTS**

**SECTION J - LIST OF ATTACHMENTS**

**ATTACHMENTS**

- |                      |   |
|----------------------|---|
| <b>Attachment 1</b>  | <b>HUD Property Inspection Report</b>   |
| <b>Attachment 2</b>  | <b>Elimination of Lead-Based Paint hazards in HUD-Owned, FHA-Insured Single Family Properties Built Before 1978</b> |
| <b>Attachment 3</b>  | <b>Rental Property Management Programs and Procedures</b>   |
| <b>Attachment 4</b>  | <b>CERCLA Disclosure of Hazardous Substances and Deed Restriction Language</b>                                      |
| <b>Attachment 5</b>  | <b>Pass Through Expenses</b>  |
| <b>Attachment 6</b>  | <b>Electronic Monitoring System Index</b>   |
| <b>Attachment 7</b>  | <b>Officer/Teacher Next Door Programmatic Controls</b>  |
| <b>Attachment 8</b>  | <b>Bid Process – Flow Chart</b>   |
| <b>Attachment 9</b>  | <b>Contract Value Calculations</b>  |
| <b>Attachment 10</b> | <b>Lead Paint Disclosure Requirements</b>   |

HUD Property Inspection Report

U.S. Department of Housing and Urban Development					
<b>Property Inspection</b>				Date:	
<input type="checkbox"/>	<b>Property</b>	<input type="checkbox"/>	<b>Property Needs Attention</b>	<input type="checkbox"/>	<b>Critical Condition</b>
				<input type="checkbox"/>	
Property Inspection					
Property Information			HUD Information		
Street Address		FHA-Number			
City		Date of Foreclosure			
State		Date Re-Keyed			
ZIP					
Occupancy Status:					
Mortgagee Information Initial Inspection			Inspection Information		
Loan Number		Date Assigned			
Mortgagee		Date Inspected/Start Time/Duration			
Street Address		<b>Type of Inspection:</b>			
City		Pre-Conveyance			
State		Initial Inspection			
ZIP		Routine			
Mortgage Contact		SPI			
800 Number					
Commercial Number					
BASIC PROPERTY INFORMATION					
Type Property:					
Estimated Age/Year Built:					
Date of last M&M Inspection:					
Property Assessment:(25 words or less)					
<b><u>I. Critical Property Conditions:</u></b>					
<b><u>II. Mortgagee Issues: Pre-Conveyance/ Initial Inspection Only</u></b>					
<b><u>III. Notes:</u></b>					
U.S. Department of Housing and Urban Development					
Reviewed By:					
Telephone Number:					

Exterior				Total Points 25		
Inspectable Item	YES	NO	N/A	Observable Deficiency	Location	Comments
Exterior Doors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Missing#/Damaged/Not Securable #		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Left Unlocked -1		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged Hardware/Locks		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged/Missing Screen/Storm/Security Door		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged Frames/Threshold/Lintels/Trim		
Foundations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Major Structural Damage Evident		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Cracks/Gaps		
Health and Safety	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exposed Wires/Open Panels		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Water Leaks on/near Electrical Equipment		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Missing exterior outlet covers		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other Hazards		
Patio/Porch/ Balcony	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Baluster/Side Railings Damaged -1		
Lighting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Broken Fixtures		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Frayed/Uncapped wiring -1		
Pools/Related Structures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pool/Spa is not properly secured/covered #		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Fencing/Gates - Damaged/Not Intact		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Fencing/Gates Allow Easy Access #		
Roofs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Active Roof Leaks Evident -20		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exterior Damage Due to Roof Leaks Evident		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged Soffits/Fascia		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged Vents		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Missing/Damaged Components from Downspout/Gutter		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged Chimneys		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Missing/Damaged Shingles		
Walls	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stained/Peeling		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Cracks/Gaps/Missing pieces/Holes/spalling		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Graffiti -1		
Windows	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Broken/Missing Panes -1		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Peeling/defective Paint		
Security Boarding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Property is Boarded/Screened - Check Jurisdiction P&P Guide		
Manufactured Homes Skirting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged/Missing		

#=hazard

Site				Total Points 25		
Inspectable Item	YES	NO	NA	Observable Deficiency	Location	Comments
Fencing and Gates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged/Falling/Leaning		
Grounds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Garbage/Debris- Outdoors -5		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overshadow/Penetrating Vegetation >6' -5		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Routine Lawn Maintenance Needed -3		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Erosion Areas		
Health & Safety	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Air Quality- Sewer Odor Detected		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Flammable Materials - Improperly Stored		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other Hazards		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sharp Edges/Tripping		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Infestation - Rats/Mice/Vermis/Insects		
Driveway	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged/Obstructed/Loose Material		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Snow Removal Needed		
Retaining Walls	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged/Falling/Leaning		
Storm Drainage Gutters Downspouts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged/Obstructed		
Walkways/ Steps	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Snow Removal Needed -2		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Broken/Missing Hand Railing/Steps -5		
Sheds/Outbuildings/ Detached Garages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Not Secured/Debris/Demo Needed -5		

#-hazard

<b>Systems</b>						
<b>Inspectable Item</b>	<b>YES</b>	<b>NO</b>	<b>NA</b>	<b>Observable Deficiency</b>	<b>Location</b>	<b>Comments</b>
<b>Electrical System</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Blocked Access/Improper Storage		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Burnt Breakers		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Evidence of Leaks/Corrosion		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Frayed Wiring		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Missing Breakers/Fuses		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	GFI - Inoperable		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Missing Covers		
<b>Exhaust System</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roof Exhaust Fan Inoperable		
<b>HVAC System</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Boiler/Pump Leaks		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Fuel Supply Leaks		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Misaligned Chimney/Ventilation System (interior)		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Inoperable		
<b>Sanitary System</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Broken/Leaking/Clogged Pipes or Drains		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Missing Drain/Cleanout/Manhole Covers		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Is there a sump pump NA=Lot		
<b>Hot Water Heater</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Inoperable Unit/Components		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Misaligned Chimney/Ventilation System (interior)		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Leaking Valves/Tanks/Pipes		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pressure Relief Valve Missing		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rust/Corrosion		

Interior		Total Points 50			Comments	
Occupancy Status	<input type="checkbox"/>	Vacant				
	<input type="checkbox"/>	Occupied (2)				
Reason not Accessible						
Occupant Status (Comment)						
Number of Occupants						
Utilities Turned On NA=Lot	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Gas		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Electricity		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Water		
Damage due to (7+): NA=Lot	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Fire		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Flood		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Earthquake		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tornado		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Hurricane		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Boiler Explosion		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other (including mortgagee neglect)		
Inspectable Item	YES	NO	NA	Observable Deficiency	Location	Comments
Bathroom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lavatory Sink - Damaged/Missing/Not Cleaned -2		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Plumbing - Clogged Drains*		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Plumbing - Leaking Faucet/Pipes*		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Faucets Missing/Damaged		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shower/Tub - Damaged/Missing/Not Cleaned -2		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Water Closet/Toilet - Damaged/Clogged/Missing/Not Cleaned -1		
Ceiling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Peeling /holes/missing tiles/cracks -3		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Bulging/Water Stains/Water Damage/Mold/Mildew		
Interior Doors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged Hardware/Locks		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged Surface - Holes/Paint/Rusting/Glass		
Floors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Floor Covering Damage/Not Cleaned/missing tiles -3		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rotted/Buckling/Deteriorated Subfloor		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Water Stains/Water Damage/Mold/Mildew		
Health & Safety	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Air Quality - Mold and/or Mildew Observed		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Air Quality - Sewer Odor Detected		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exposed Wires/Open Panels		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Flammable Materials - Improperly Stored		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Infestation - Rats/Mice/Vermin/Insects		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other Hazards		
Kitchen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Garbage Disposal - Missing/Damaged/Inoperable/Not Cleaned		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Range Hood/Exhaust Fans - Missing/Damaged/Inoperable/Not cleaned		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Refrigerator-Missing/Damaged/Inoperable/Not cleaned -2		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Range/Stove - Missing/Damaged/Inoperable/Not cleaned -2		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Cabinets - Missing/Damaged/Not cleaned		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Countertops - Missing/Damaged/Not Cleaned -2		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Dishwasher - Missing/Damaged/Inoperable/Not cleaned		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Plumbing - Clogged Drains		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Faucets Missing/Damaged		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sink - Missing/Damaged/Not cleaned -2		
Laundry Area (Room)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washer-Missing/Damaged/Inoperable		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Dryer- Dirty/Missing/Damaged/Inoperable		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Dryer Vent - Missing/Damaged/Dirty/Inoperable		
Lighting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Missing/Damaged/Inoperable Fixture		
Outlets/Switches	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Missing/frayed uncapped wires -1		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Missing/Broken Cover Plates		
Stairs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Broken/Damaged/Missing Steps #		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Broken/Missing Hand Railing -5		
Walls	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Peeling/Graffiti -5		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damaged/ Water Stains/ water Damage/Mold/Mildew		
Windows	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Entry Assessable Window Left Unlocked-5		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Window sills Peeling/damaged		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Inoperable/Not Lockable -10		
Winterization NA=Lot	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Property is Winterized		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Damage Caused by Lack of Winterization		
Miscellaneous	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Personal Property Left in Vacant Unit		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trash/Debris/Garbage - Indoors -5		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Required Signs Posted		

#=Hazard \*Not for SPI Inspection

**Elimination of Lead-Based Paint hazards in HUD-  
Owned, FHA-Insured Single Family Properties Built  
Before 1978**

On December 23, 2003 HUD published Housing Notice 2003-30, Elimination of Lead-Based Paint Hazards in HUD Owned Single Family Properties, that canceled Notice 01-01 and implemented the requirements and terminology established by the Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X of the Housing and Community Development Act of 1992) and the lead-based paint regulations (the Lead Safe Housing Rule) at 24 CFR Part 35, Subpart F. The regulations establish procedures to eliminate as far as practicable lead-based paint hazards in single-family properties built before 1978 and sold with FHA-insured mortgages (including 203(b) and 203(k) loans). The procedures below describe actions required to implement HN 2003-30.

**A. Applicability**

The regulations at Subpart F apply to HUD-owned Single Family properties that have been built before 1978 and are sold with FHA-insured 203(b) and (k) mortgages. The Office of Single Family Housing's implementation of the Department's lead safe housing program will include the provision of full lead-based paint inspections (rather than only paint testing) of all HUD-owned properties constructed before 1960 and all HUD-owned properties constructed between 1960 and 1978 that are sold with FHA insured financing. If the inspection identifies the presence of deteriorated lead-based paint, properties sold with FHA insurance will be subject to lead-based paint stabilization of such paint and clearance testing. HUD will not conduct a lead-based paint inspection of HUD-owned properties constructed after 1960 that are sold without FHA insured financing.

**B. Definitions**

The definitions in the Lead Safe Housing Rule in 24 CFR 35.110 apply to this program. The Rule is available for downloading at [www.hud.gov/offices/lead](http://www.hud.gov/offices/lead). The following additional definitions also apply:

**Certified lead-based paint inspector** - has the same meaning as "certified inspector" in the Environmental Protection Agency (EPA) lead training and certification rule, at 40 CFR 745.223.

**Certified risk assessor** - has the same meaning as that term in the EPA lead training and certification rule, at 40 CFR 745.223.

**Certified firm** - has the same meaning as that term in the EPA lead training and certification rule, at 40 CFR 745.223.

**Sampling technician** - has the same meaning as that term or "clearance technician" in the HUD Lead Safe Housing Rule, at 24 CFR 35.1340(b)(1)(iii)-(iv).

**C. Required Lead-Based Paint Procedures for HUD-Owned Single Family Properties.**

1. **Property Age Verification:** During the initial inspection or as soon as possible following acquisition of a new HUD property, but not later than listing, the Contractor shall verify the age of the property.

## 2. Properties constructed before 1960 – Inspection and Listing:

- a. Before listing any property constructed before 1960, the Contractor shall ensure that either (1) a certified lead-based paint inspector who has successfully completed the web-based HUD visual assessment course (available at [www.hud.gov/offices/lead](http://www.hud.gov/offices/lead)), or (2) a certified risk assessor, conducts a lead-based paint inspection and a visual assessment for deteriorated paint. If deteriorated lead-based paint is found, the Contractor shall obtain, from the inspector or risk assessor, a lead-based paint stabilization plan that identifies the locations of deteriorated lead-based paint and a cost estimate for implementing the plan.
- b. The Contractor shall post the paint stabilization plan and cost estimate and a property-specific Lead-Based Paint Disclosure Addendum (Addendum) completed by the Contractor on the property listing web site. A property constructed before 1960 cannot be listed for sale without all available reports and/or records pertaining to lead-based paint and lead-based paint hazards being made available for downloading from the property listing web site.
- c. The Contractor shall comply with Attachment 10 regarding lead-based paint disclosure.

## 3. Properties constructed after 1959 and before 1978 – Inspection and Listing:

- a. Prior to listing the Contractor shall complete the appropriate property specific Lead-Based Paint Disclosure Addendum and post it on the property listing web site with any available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the property.
- b. Properties constructed between 1960 and 1977 will not be inspected for lead-based paint or lead-based paint hazards prior to listing.
- c. **Non-insured properties.** For properties sold without FHA-insured financing, HUD will have neither a lead-based paint inspection nor risk assessment performed before or after listing.
- d. **Insured properties.** For properties sold with FHA-insured financing, HUD will have a lead-based paint inspection and visual assessment performed after listing, as follows:
  - i. Following contract acceptance, the Contractor shall order from the inspector or risk assessor described in 2.a. a lead-based paint inspection and visual assessment to identify deteriorated lead-based paint. If deteriorated paint is found, the Contractor shall obtain from an inspector or risk assessor a lead-based paint stabilization plan (stabilization plan) that identifies the locations of deteriorated lead-based paint and a cost estimate for implementing the plan.
  - ii. Following completion of the lead-based paint inspection, and if deteriorated paint is found, the stabilization plan and cost estimate, the Contractor shall comply with the requirements of Attachment 10 regarding lead-based paint disclosure of the new lead-based paint inspection and visual assessment reports and stabilization plan and execution of a supplemental Lead-Based Paint Disclosure Addendum (supplemental Addendum).

#### **4. Contingency period:**

- a. In all cases, the Purchaser shall have a lead contingency period of fifteen (15) calendar days to review all documentation related to lead-based paint and to obtain, at the Purchaser's option and expense, the Purchaser's own lead-based paint inspection, visual assessment for deteriorated paint, or risk assessment. The Selling Broker, following offer acceptance and prior to submitting the executed sales contract to HUD, will provide the disclosure described in Attachment 10 and obtain the Purchaser's signature on the Addendum. The lead contingency period shall commence on the date the Addendum is signed by the Purchaser and shall run contemporaneously with the general property condition inspection contingency described in 5.4.3.11 of the Performance Work Statement.
- b. In cases where, in accordance with 3.d.1 and 3.d.2 above, the Contractor has performed a lead-based paint inspection and visual assessment to identify deteriorated lead-based paint, and deteriorated lead-based paint is found requiring the disclosure of additional lead documents, the Purchaser shall have until the later of the lead contingency period in 4.a, above, or two (2) business days after the date of the Purchaser's signature on the supplemental Addendum to exercise the right to withdraw from the contract.
- c. The Contractor may consider and approve reasonable written requests for extensions of time for review of lead inspection or visual assessment results.

#### **5. Cancellation/Return of Earnest Money Deposit:**

- a. If the Purchaser is dissatisfied with the condition of the property and notifies the Contractor in writing by the close of the contingency period (as determined by the date the notification of withdrawal is postmarked), the Purchaser may withdraw from the contract.
- b. The withdrawing Purchaser shall be entitled to a refund of earnest money if the Purchaser obtained an independent lead-based paint inspection performed by a Certified Lead-Based Paint Inspector or Certified Risk Assessor, and the Purchaser provides the Contractor with a copy of the inspection report. The period for the Purchaser to request the refund of earnest money shall be as described in 4, above.

#### **6. Stabilization of properties sold with FHA insured financing other than a 203(k) rehabilitation mortgage which are determined to have deteriorated lead-based paint:**

- a. In cases where the Purchaser elects to enter into or continue with the contract, following disclosure and receipt of the paint stabilization plan and cost estimate, the Contractor shall forward these documents and property keys to the trained (and certified where required by the State or local jurisdiction) lead remediation contractor retained by the Contractor for paint stabilization using lead safe work practices<sup>1</sup>.

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<sup>1</sup> All persons performing interim controls, including paint stabilization, must be trained. Several training options exist in the Lead Safe Housing Rule (24 CFR 35.1330(a)(4)). One option is for these persons to take one of the HUD-approved courses in Lead Safe Work Practices, listed at the HUD lead web site, at [www.hud.gov/offices/lead/lbptraining/cfm](http://www.hud.gov/offices/lead/lbptraining/cfm). If supervised on the job by a certified abatement supervisor, they must complete training in compliance with the OSHA hazard communication standard. A third option for these persons is to take either a lead-based paint

- b. Upon completion of paint stabilization, the Contractor shall schedule clearance testing. Clearance should be performed as soon as possible following the completion of lead hazard control work. Copies of the clearance examination report shall be provided to the Purchaser in accordance with the HUD/EPA Lead Disclosure Rule (24 CFR 35 subpart A).
- c. The clearance examination shall be performed by personnel qualified in accordance with 24 CFR 35.1340(b)(1), that is, by a certified lead-based paint inspector, certified risk assessor, or sampling technician. In accordance with 24 CFR 35.1340(f), the clearance examination shall be performed by a person or entity independent of those performing hazard reduction or maintenance activities, unless the Contractor uses qualified in-house employees to conduct clearance; an in-house employee shall not conduct both a hazard reduction or maintenance activity and its clearance examination.
- d. The Contractor shall perform the actions described in 6.a through 6.e in a time frame that will not delay the scheduled closing.
- e. In those instances where the Purchaser exercises the option to withdraw his/her offer and stabilization work has not begun, the Contractor shall postpone stabilization and clearance testing until such time as a sales contract for a subject property sold with FHA-insured financing is accepted. Following acceptance, the Contractor must perform a visual assessment to determine if additional deterioration of more than de minimis<sup>2</sup> amounts has occurred and if so, further inspection and possible paint stabilization followed by a clearance test is required.
- f. In those instances where contingency extensions have been granted and stabilization work has begun and the Purchaser exercises the option to withdraw his/her offer, remediation and clearance should proceed to completion. If the property is subsequently sold with FHA insurance and/or the closing will take place more than ninety (90) days from the date of the clearance certificate, the Contractor shall perform a visual assessment for deteriorated paint to determine if additional deterioration of more than de minimis amounts has occurred and, if so, based upon the previous lead-based paint inspection, obtain an updated stabilization plan and perform paint stabilization of deteriorated lead-based paint, followed by another clearance examination. If more than de minimis amounts of deterioration have occurred, the Contractor shall obtain a new clearance examination and certificate the cost of which shall be reimbursed by HUD as a pass-through expense, not to exceed the maximum costs for the contract area approved by the Government Technical Representative (GTR). Pass through reimbursement will not be made if the Contractor, its employees, subcontractors or their agents were responsible for the delay.
- g. A property constructed before 1978 and sold with any FHA-insured mortgage except a 203(k) rehabilitation mortgage, in which deteriorated lead-based paint has been identified, cannot close without a clearance certificate. The Contractor shall promptly inform the HOC of the failure of a

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abatement worker or supervisor course. Persons performing abatement require abatement training and certification. A list of trained lead evaluation and lead hazard control service providers qualified under the Lead Safe Housing Rule can be found at: [www.leadlisting.org](http://www.leadlisting.org). This voluntary Lead Listing can also be accessed from [www.hud.gov/offices/lead/index.cfm](http://www.hud.gov/offices/lead/index.cfm).

<sup>2</sup> de minimis is 20 square feet (2 square meters) on exterior surfaces; 2 square feet (0.2 square meters) in any one room or space; or 10 percent of the total surface area on an interior or exterior type of component with a small surface area such as windowsills, baseboards, and trim.

clearance test and require the contractor performing the paint stabilization to continue with remediation until clearance is achieved.<sup>3</sup> There will be no charge to the Purchaser for closing extensions resulting from delays in completing paint stabilization and clearance.

7. **Stabilization of properties sold with FHA 203(k) insured rehabilitation financing mortgage which are determined to have deteriorated lead-based paint:**
  - a. In cases where the Purchaser elects to enter into or continue with the contract, if a property has deteriorated lead-based paint and has been sold with 203(k) rehabilitation financing, it is subject to the provisions of 24 CFR Part 35, Subpart F. The Contractor shall ensure that the Purchaser signs a 203(k) Rehabilitation Financing Lead Agreement requiring that a clearance examination and report be included in the work write-up and conducted before release of the final construction disbursement and before occupancy.
  - b. The clearance examination shall be performed by personnel qualified in accordance with 24 CFR 35.1340(b)(1), that is, by a certified lead-based paint inspector, certified risk assessor, or sampling technician.
  - c. At closing the Purchaser shall receive a credit in an amount to be determined by the GTR, representing the Seller's contribution toward the cost of stabilization and clearance testing. The Credit shall appear on the FORM HUD-1 SETTLEMENT STATEMENT and shall be deposited in the 203(k) repair escrow account. If the actual cost of stabilization exceeds the credit provided or if the property fails a clearance examination, the Purchaser will be responsible for any additional costs.
8. **Use of separately contracted certified lead firms:** HUD, at its discretion, may contract for the services of certified lead-based paint inspectors, certified risk assessors, or sampling technicians, by one or more national, regional or other contracts. If HUD uses the services of such persons and firms for activities (such as lead-based paint inspection, visual assessment for deteriorated paint, risk assessment and/or clearance) covered under this contract, the Contractor shall coordinate its work with such persons and firms in place of providing its own services for such activities as described in this Attachment.
9. **Costs:** The GTR will establish and provide to the Contractor maximum allowable costs for obtaining lead paint inspections, visual assessments, stabilization plans and cost estimates. Without prior approval of the GTR, HUD will reimburse as a pass-through expense actual costs for these services not to exceed the GTR-specified maximums. HUD will reimburse as a pass-through expense the actual cost of stabilization and clearance certification when approved in advance by the GTR.

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<sup>3</sup> If significant adverse weather conditions exist (e.g., winter cold weather prevents proper paint application), occupancy following acceptable interior clearance testing results will be allowed without completion of exterior clearance, but exterior work must be completed and visually cleared as soon as possible.

## Rental Property Management Programs and Procedures

### SECTION I - POLICY

1. **General.** Rentals are to be used only as appropriate to comply with other HUD programs such as occupied conveyance, or disaster relief when it is determined that it is in the best interest of HUD. All rentals are subject to Government Technical Representative (GTR) approval. Leases must be in writing. Rental rates shall reflect fair market rents based upon comparable properties unless exempted by law, the PWS or the GTR in writing.
2. **Lease Term.** Occupancy of acquired properties is temporary in all cases and is subject to termination as necessary to facilitate a sale or assignment of the property by HUD to another use or program. All rental units must meet habitability requirements. Occupied properties must not be held off the market and should be sold subject to occupancy if necessary.
3. **Non-Discrimination.** Tenants for any lease program will be selected without regard to their race, color, religion, sex, National origin, familial status or disability.
4. **Lead-Based Paint.** Properties constructed prior to 1978 shall not be leased to tenants with children under the age of seven (7) unless the property has been tested for the presence of lead based paint or lead based paint hazards and has been determined to be free of said hazards.

For housing built before 1978, the Contractor shall, on behalf of the Department, disclose the known presence of lead-based paint and lead-based paint hazards to tenants in accordance with the Lead Disclosure Rule (24 CFR 35, subpart A; see [www.hud.gov/offices/lead](http://www.hud.gov/offices/lead) for more information).

Lead disclosure includes the actions below. These are required before ratifying a contract for housing lease, when the rental rate changes, or when the lease changes from a fixed termination date to a month-to-month arrangement. Exceptions are made if **lead disclosure has been made to the tenants and no new information has been obtained subsequent to a previous disclosure**, or if the lease duration is 100 days or less and no lease renewal or extension can occur, or if a certified lead-based paint inspector has found the housing to be lead-based paint free.

- A. Give the tenant an EPA-approved information pamphlet on identifying and controlling lead-based paint hazards ("Protect Your Family From Lead In Your Home" pamphlet).
- B. Disclose any known information concerning lead-based paint or lead-based paint hazards. The Contractor must also disclose information such as the location of the lead-based paint and/or lead-based paint hazards, and the condition of the painted surfaces.
- C. Provide any records and reports on lead-based paint and/or lead-based paint hazards which are available to the Contractor (for multi-unit buildings, this requirement includes records and

reports concerning common areas and other units, when such information was obtained as a result of a building-wide evaluation).

- D. Include an attachment to the contract or lease (or language inserted in the lease itself), which includes the Lead Disclosure Rule's Lead Warning Statement and confirms that the Contractor has complied with all notification requirements. This attachment is to be provided in the same language used in the rest of the contract. The Contractor and the tenant must sign and date the attachment.

## SECTION II – GENERAL PROCEDURES

1. **Lease Program.** The Department will lease its properties to comply with special HUD programs or when it determines that it is in the best interest of HUD. Situations where HUD will lease property include, but are not limited, to those programs shown under the Lease and Lease Option Programs in Section III.
2. **Approval Authority.** The Contractor is authorized to enter into lease agreements with GTR approval. The Contractor may not delegate this authority. The GTR must approve the rental rate and the Contractor must notify the occupants of that rate. Only those individuals specifically named in the Contractor's Limited Power of Attorney may sign leases on behalf of HUD.
3. **Contractor Case File.** The Contractor's EMS Case File must include:
  - A. Justification of the decision to rent. This decision must be reviewed at regular intervals to assure that rental remains the appropriate option.
  - B. Documentation supporting the rent level and services as stated in lease.
  - C. Repairs approved incidental to renting.
  - D. The original, executed lease and subsequent renewals. The original, executed lease must be in the case file.
4. **Lease Forms.** All lessees must execute either a HUD Standard Lease form or a Government Entity for Defense or Law Enforcement Lease form. Any and all modifications or alterations must be approved by the GTR.
5. **Terms and Conditions of Occupancy.** The conditions of occupancy shown in this paragraph are applicable to all lease programs unless specified otherwise in the specific program, as described in Section III.
  - A. Occupancy. Occupancy of acquired property is temporary in all cases and is subject to termination when necessary to facilitate a sale, if assigned by HOC to a different use or program, or for cause as discussed in Eviction, Section V.
  - B. Other Terms and Conditions:
    - 1) Leases shall be executed for all occupied properties.

- 2) Leases shall be written on a month-to month basis unless a fixed term is required to comply with disaster relief or upon receipt of written instruction from the GTR.
  - 3) Leases with a fixed term expire automatically at the end of the initial lease term. If the Contractor does not give the proper notice to quit and vacate the premises prior to the end of the initial lease term, and the tenant remains in the property, tenancy will continue on a month-to-month basis. The Contractor's notice to quit and vacate will coincide and expire with the expiration of a monthly rental period. The tenant is responsible for rent payment during the 30-day notice period.
  - 4) A tenant must have the financial ability to pay the monthly fair market rent specified by HUD and contained in the lease agreement.
  - 5) The tenant must agree to allow access to the property, with two days notice, during normal business hours by HUD representatives for inspection of the property or HUD contractors doing repairs, and must allow access for real estate brokers and their clients
  - 6) Other terms and conditions as contained in the lease agreement are incorporated herein by reference and are made a part of the conditions for occupancy. Should there be any inconsistency between the policy as stated herein and the terms of the lease, the terms of the lease prevail.
- C. Equipment, Furnishings, Services and Repairs. Determinations of HUD's obligations for appliances, maintenance, repair and utilities are made on a case-by-case basis. In all cases, the agreed upon services or furnishings will be as defined by the terms and conditions of the lease.
6. **Property Management.** Ongoing management of leased properties is the responsibility of the Contractor.
7. **Rent.**
- A. Rate. The rent will be the fair market rate based on rents charged for comparable rented properties, unless exempted by law, the PWS or the GTR in writing. The Contractor is responsible for recommending the fair market rent for approval by the GTR, notifying the tenant of the rental rate at the time the occupant is approved for occupancy, and executing the lease. Documentation supporting the rent rate must be filed in the case file. No rent may be collected until occupancy is approved and title is taken in the Secretary's name. The resulting lease will be dated effective as of the date of acquisition of the properties for tenants approved under occupied conveyance.
  - B. Rent Due Date and Payment Method. Rent is due on the first of the month and may be paid by personal check or certified funds. The Contractor shall not accept cash payments. The account will be considered delinquent if the rent is not received within ten (10) days of the due date or if, paid by check, the funds are not honored by the tenants bank.
  - C. Adjustments to Tenant Accounts. With GTR approval, the Contractor may prorate a tenant's account to reflect unused rent or a credit for emergency or pre-approved repairs paid by the

tenant. In any case involving a refund of unused rent, this adjustment may not exceed one-month's rent.

D. **Delinquency.** If the account becomes delinquent, the Contractor shall, no later than five (5) business days following the date of delinquency, send written notice of the amount due to the tenant with a demand that the late payment be received before the next full rental payment is due. If payment is not received the Contractor shall attempt collection as described in Section IV of this Attachment.

8. **Fair Housing.** The Contractor must ensure that there is no discrimination by race, color, religion, sex, disability, familial status, or national origin..
9. **Processing Requirements for SAMS.** The following SAMS reports will be used by the GTR to monitor rent collections: TM RP AG Aged Delinquency; TM RP HI List Lease History, and CL RP CE Lockbox Cash By Entity.

### SECTION III - LEASE AND LEASE-OPTION PROGRAMS

1. **Occupied Conveyance.** See C-5.2.2
2. **Occupancy for Caretaker Services.** A caretaker lease is allowed, at low or nominal rent, when occupancy is necessary to protect a property from vandalism or rapid deterioration. The Contractor shall make determinations of whether a property is likely to be vandalized based upon information pertaining to past acts of vandalism in the immediate area of the property and obtain approval from the GTR.

To support determinations, the Contractor shall use information from all sources including personal observations of the area, property inspection reports, Contractor reports and information reported by area residents. Where caretaker's lease is allowed, the case file must be documented to show the basis of the determination to lease. The Contractor shall use the standard lease attached.

3. **Occupancy to Improve Marketability of Two-to-Four Unit Properties.** If qualified, rent-paying tenants will improve the marketability of multi-unit properties, the Contractor may, with GTR approval, lease these properties.
4. **Occupancy Prior to Closing or Where Sales Closing is Delayed At Length.** Occupancy of a property by the purchaser before sales closing is prohibited. Except in extreme circumstances when the GTR authorizes pre-closing occupancy.
5. **Occupancy Where Inventory Exceeds Sales Market Absorption Capability For An Extended Period.** In areas where unusually high concentrations of HUD-owned properties are negatively impacting HUD's absorption rate, the GTR may determine that it is in the best interest of the Department to remove some properties from the market and lease them. At the direction of the GTR, the Contractor shall advertise and execute six month or one-year leases for specific properties that had previously been offered through the lottery, exclusive and extended listing options and remain unsold. This option is rare and may be initiated only by the GTR.

6. **Temporary Housing for Disaster Victims/Housing Relief Programs.** Acquired properties must be phased into disaster housing relief programs pursuant to legislative and administrative requirements. Under a Memorandum of Understanding between the Department and the Federal Emergency Management Administration (FEMA), acquired properties must be made available to temporarily house victims in areas declared by the President to be major disaster areas. The President determines, at request of the State Governor, when a declaration is warranted, pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act, PL 93-288 as amended by PL 100-707, administered by FEMA. Pursuant to the terms of the MOU, following the declaration of a disaster, FEMA must request that the HOC Director in the Region of the disaster area, implement the MOU, as follows:
- A. FEMA Request for a List of Available Properties. FEMA will request a list of available properties. Following notification from HUD, the Contractor will prepare a list of available properties. Eligible properties must be habitable, not under lease or sales contract nor committed to another use or program, and ready for immediate occupancy.
- B. Distribution of List.
- 1) FEMA will provide lists from their resource bank of available housing, including the HUD-owned properties to disaster victims who are having difficulty finding rental housing that meets their needs. The disaster victims must locate their own housing and will directly contact the Contractor.
  - 2) The Contractor shall not hold eligible properties off the market. As necessary, FEMA may request updated lists of available properties.
- C. Leasing to Disaster Victims. The Contractor shall rent directly to the disaster victim, as follows:
- 1) Lease. Occupants must execute a lease, Form HUD-9532
  - 2) Term. The term of the lease is month-to-month not to exceed one year and subject to termination when the HOC notifies the Contractor that the emergency is over.
  - 3) Maintenance and Operating Costs. The Contractor is responsible for payment of property taxes and maintenance costs normally required of a landlord pursuant to local law.
  - 4) Rent. The rental rate will be set by the Contractor based on fair market rents. If, based on the tenants financial circumstances, the Contractor believes that less than the fair market rent is appropriate, the Contractor shall provide its justification to the GTR and obtain approval for a reduced amount. If less than fair market rent is charged, the Contractor shall amend the lease to state: "Rent abatement must terminate when the landlord determines the state of emergency is over, or within 12 months of this lease, whichever comes first."
- D. Delinquency. Should a tenant become delinquent, the tenant is not entitled to the 10-day grace period and may not be granted the 10-day grace period unless and until the account becomes current.

- E. Partial payments. The Department will not accept partial payments on delinquent accounts when the Contractor has filed for eviction since the acceptance of partial payment may jeopardize eviction action. Exceptions will be based on the HOC's determination that the delinquency will be cured in a reasonable period. Payment will be applied to the oldest outstanding accounts.
- F. Other Disasters. In response to a request from FEMA or a local government, HUD-owned properties may be used for temporary housing for homeless victims of a civil disturbance or a disaster that has not been formally declared a major disaster by the President. At the direction of the GTR, the Contractor shall coordinate with FEMA or an agency of local government to develop a plan to identify appropriate properties and make them available. The GTR must approve any temporary rental plan developed in response to a local emergency.
- G. Documentation for File. EMS Case files for each property leased under this program must include a summary report of the disaster; the original, signed lease; a narrative report concerning the tenant; the condition of the property before and after occupancy; prevailing market rent; and, if a nominal rent is charged, the justification for charging less than fair market rent.

**7. Lease by Government Agencies for Defense, Law Enforcement or Other Purposes.**

- A. At the direction of the GTR, the Contractor shall furnish all possible assistance to government agencies, such as the Department of Defense, Department of Treasury, Federal Bureau Of Investigation, Drug Enforcement Administration and U.S. Marshals Service, in leasing acquired home properties for defense, law enforcement or other purposes.
  - 1) Terms of Agreement - The GTR, shall coordinate with and agency officials to determine the number of unites required, the duration of the assistance needed and allocation of responsibility for repairs, appliances, furnishings and payment of utilities between HUD, the agency and the tenant, and will document this understanding in writing. Generally HUD will only authorize those repairs, equipment and services essential to ensure habitability in a clean, safe and secure dwelling.
  - 2) Notice of Available Inventory. Based on the written terms of agreement and at the direction of the GTR, the Contractor shall notify Base Commanders, housing officers and other designated agency officials of HUD-owned properties available for rent.
  - 3) Joint Inspection. Each unit to be rented by the military or other agency will be inspected, prior to occupancy by a representative of the agency and by the Contractor to reach agreement on necessary repairs, furnishings and lease terms consistent with the terms of agreement document.
  - 4) HUD-Supplied Services and Equipment. If the terms of agreement require HUD to provide appliances, utilities, or repairs the Contractor shall provide the needed services or equipment after approval of the costs by the GTR and will be reimbursed for approved costs as a pass-through expense. Routine maintenance and grounds care will be provided as determined in the terms of assistance document but is typically the responsibility of the tenant.

- 5) Rent. The Contractor, through the GTR will consult with the HOC Counsel for current rates, guidelines for which are provided by Title 10 USC Section 2828. Within those limits, rent must be based on comparables rented to the military or Coast Guard, not private sector rentals.
- 6) Lease. The Governmental Entity for Defense or Law Enforcement lease form will be executed for each unit by the Contractor with GTR approval and an authorized representative of the military command.
- 7) Term. The lease becomes effective on the date properties are made available for agency use, regardless of whether they remain vacant, and runs to the end of each fiscal year or as otherwise provided in the terms of agreement document. Extensions pursuant to provisions in the lease must be by written request approved by the GTR.

8. **Tenant's Right of First Refusal.** See Section C - 5.4.2.1.

#### SECTION IV - RENT MONITORING AND COLLECTION

1. **Collection by the Contractor.** The Contractor shall collect and deposit rent as shown in HUD Handbook 4310.5 REV 2.
2. **Work out Agreement for Delinquent Rent.** When it is advantageous to HUD to keep a property occupied, the Contractor shall attempt collection of delinquent rental payments rather than pursue eviction. The occupant may be allowed to pay off the delinquency at a rate of not less than one-half the delinquent month's rent, plus the current month rent until the delinquency has been brought current.
3. **Lease Termination.** After a decision by HUD to terminate a lease, the occupants will be notified to vacate the property. The Contractor will take appropriate eviction action under the laws of the state in which the property is located, in any of the following situations:
  - 1) Failure of the tenant to execute a lease, or to comply with the lease;
  - 2) Failure of the tenant to allow reasonable access to the property upon proper notice.
  - 3) Necessity to prepare the property for sale; or
  - 4) Assignment of the property by HUD to a different use or program.

#### SECTION V - EVICTION

1. Eviction procedures must begin the day after the second month's rent becomes delinquent unless the tenant is making payments under a repayment plan.
2. The Contractor shall initiate and administer eviction actions when approve by the GTR if:
  - A. The claim amount does not exceed \$5,000;

- B. No question of title is involved; and
  - C. No novel or important question is presented. Questions of law should be established through consultation with Area or Regional Counsel or private fee counsel, as appropriate.
  - D. Cases that do not meet the above criteria must be brought to the attention of GTR who will consult with HOC Counsel.
  - E. When a defendant's answer or counterclaim raises questions of title or presents a novel or important question, or claims monetary damages, the case must be brought to the attention of GTR who will consult with HOC Counsel for Litigation.
2. Legal expenses specifically associated with these actions are reimbursable by HUD. However, no expenses shall be incurred without specific authorization by the GTR.
  3. The Contractor through the GTR should consult with HOC Counsel to determine each State's requirements with respect to naming the plaintiff. Generally, eviction actions should be brought in the name of the Secretary of HUD. Eviction actions must be brought in appropriate state or municipal courts or in the District of Columbia, the Superior Court.

**CERCLA Disclosure of Hazardous Substances and  
Deed Restriction Language**

Prior to listing any property for sale, the Contractor shall conduct a search of information in its possession, including but not limited to, information obtained from HUD, the former owner or mortgagee, title reports, property inspections and appraisals to determine whether the property is impacted by any hazardous substances that are subject to disclosure under Sec. 120(h) of CERCLA. If the search reveals any record of hazardous substances stored for one year or more, known to have been released, or disposed of, on some portion of the property, the Contractor shall immediately notify the GTR and shall disclose that information in the Property Condition Report and in any subsequent sales contract in a format similar to that provided below. The text indicated below in bold and the information in the table must be included in the disclosure.

**Notice of Environmental Hazards and Hazardous Substances**

**The information contained in this notice is required under the authority of regulations promulgated under section 120(h) of the Comprehensive Environmental Response, Liability, and Compensation Act (CERCLA or “Superfund”) 42 U.S.C. section 9620(h).**

The following table contains a notice of hazardous substances that have been stored for one year or more, known to have been released, or disposed of, on some portion of the property and the dates (if known) that such storage, release, or disposal took place. The information is based on a search of records in the possession of the U.S. Department of Housing and Urban Development and may not comprise a full record of any environmental conditions or hazardous substances on the property.

Name of Hazardous Substance	Dates that storage, release, or disposal took place	Quantity in kilograms & pounds
Including (1) the Chemical Abstracts Services Registry Number (CASRN), where applicable; (2) the regulatory synonym for the hazardous substance, as listed in 40 CFR 302.4, where applicable; & (3) the Resource Conservation and Recovery Act (RCRA) hazardous waste number specified in 40 CFR 261.30, where applicable		

## **CERCLA Required Deed or Lease Provision**

If the search required in 5.3.8.4 of the PWS reveals a record of the storage for one year or more, release, or disposal of hazardous substances at the property, the Contractor shall instruct the Closing Agent to include in the deed conveying such property language required by 42 USC 9620(h). Hazards resulting from petroleum and its bi-products and small quantities of stored waste are exempt from the CERCLA deed or lease provision requirement. In general, the deeds for such properties must contain the following information and lease agreements for occupied properties shall be amended in accordance with 5.3.8.5.3 to contain the following information except for the clause (2):

- (1) To the extent such information is available on the basis of the records search
  - i. Notice of the type and quantity of such hazardous substances,
  - ii. Notice of the time at which such storage, release, or disposal took place, and
  - iii. A description of the remedial action taken, if any;
  
- (2) Unless the property is transferred to a person or entity who is a potentially responsible party with respect to the hazardous substances on such property, a covenant warranting that
  - i. All remedial action necessary to protect human health and the environment with respect to any such substance remaining on the property has been taken before the date of such transfer, and
  - ii. Any additional remedial action found to be necessary after the date of such transfer shall be conducted by the United States; and
  
- (3) A clause granting the United States access to the property in any case in which remedial action or corrective action is found to be necessary after the date of such transfer.

### Pass Through Expenses

All costs of performance under this contract are to be at the expense of the Contractor unless otherwise specifically identified as a pass-through expense in the contract and listed below. The Contracting Officer or GTR must approve any additional pass-through requirements prior to incurring the expense. The Contracting Officer shall determine the allowability and reasonableness of all costs in accordance with FAR Part 31.

Payment for pass-through expenses may not be requested until the Contractor has paid for the service or item. The Contractor will be reimbursed for the actual cost of the service or item. Actual cost is defined as the amount paid by the Contractor to the billing parties; no administrative costs of the Contractor are to be added. Payments made by the Contractor for penalties, fees or interest incurred by the Contractor due to late payment to other parties are not allowable pass-through expenses.

The Contractor shall receive payment for the actual cost of the following items:

<b>ALLOWABLE PASS-THROUGH EXPENSES</b>	
<b>PWS Reference</b>	<b>Expense Type</b>
5.1.1.2.	<b>Record Retention, Exit File Delivery</b> – the actual cost of shipping files for record retention or at the termination of the contract, when incurred in accordance with contract requirements will be reimbursed without prior GTR approval.
5.2.4.5.	<b>Mortgagee Non-compliance</b> – that portion of Contractor costs exceeding \$1,000 per property incurred completing preservation and protection actions required of, but not performed by, the Mortgagee, may be approved as a pass-through expense based on a determination of responsibility by the GTR.
5.2.7.4.	<b>Administrative Sanction Recoveries</b> - actual costs incurred by the Contractor for property management actions, that are subsequently recovered from the Mortgagee may be approved as a pass-through expense based on a determination of responsibility by the GTR.
5.3.15.	<b>Cost of Eviction for Adverse Occupants</b> – The actual legal expenses incurred by the Contractor for GTR approved eviction actions.
5.3.6.1	<b>Utility Liens</b> – payments to satisfy utility liens incurred prior to acquisition and incurred in accordance with contract requirements will be reimbursed without prior GTR approval.
5.3.6.4	<b>Utility Charges for Occupied Properties</b> – charges for heating, cooling, water or other essential utilities provided to occupied properties when provision of utilities is approved in advance by the GTR.

**ALLOWABLE PASS-THROUGH EXPENSES**

PWS Reference	Expense Type
5.3.7.2	<b>Homeowners Association Dues, Condominium Dues, Special Assessments, Ground Rents</b> – The actual cost of these expenses paid by the Contractor in accordance with the requirements of the Contract will be reimbursed without prior approval by the GTR.
5.3.8.1.3	<b>Lead Based Paint Inspection and Clearance</b> – lead based paint inspection, visual assessment and clearance costs incurred in accordance with contract requirements will be reimbursed without prior GTR approval.
5.3.8.1.3	<b>Lead Based Paint Stabilization or Abatement</b> – lead paint stabilization or abatement costs when approved in advance by the GTR.
5.3.8.1.5.	<b>Philadelphia, PA Abatement of lead-based Paint Hazards</b>
5.3.8.5 5.3.8.7	<b>Mold or Other Environmental Hazards</b> - testing and abatement of environmental hazards when approved in advance by the GTR
5.3.9.2	<b>Wood Destroying Insects</b> - treatment and repair of infestation or damage caused by wood destroying organisms when approved in advance by the GTR
5.3.10	<b>Vandalism</b> – Repair of vandalism damage when approved in advance by the GTR.
5.3.1.5 5.3.16 5.3.17	<b>Eviction, Demolition and Repairs</b> – Actual costs of eviction, demolition or repairs performed at the direction of the GTR and with prior approval of the cost.
5.4.3.13.2.	<b>Missing Appliances</b> – the actual cost of repair or replacement of appliances damaged or stolen after contract acceptance will be reimbursed in accordance with the schedule in the contract without prior GTR approval.
5.4.4.5.	<b>Post Closing Complaints</b> – actual amounts paid by the Contractor to resolve post-closing complaints when approved in advance by the GTR.

### Electronic Management System Index

The Contractor shall establish an electronic property file for each acquired property. The file shall include, at a minimum, all of the information listed under A, B and C below. The files shall be searchable by either FHA case number or property address. The imaged documents listed in C shall be accessible both in the individual property file and by document type. The Contractor shall establish a Reports Section of EMS wherein all reports listed in D are posted and archived for the life of the Contract and any option year extensions.

A. Minimum Data Input Requirements:

1. FHA case number
2. Property Address
3. Age
4. Appraised value(s)
5. List Price
6. Individual pass-through expenses
7. Rental information (tenant name, occupancy dates, rental amount, payment history)
8. Contract sales price
9. Name of Buyer
10. Sale Type and Financing (O/O, Investor, Non-profit – FHA, Conventional, Cash)
11. Closing Date
12. Net Proceeds
13. Closing agent information
14. Notes – contemporaneous notes of all significant events, conversations and actions relative to the property not covered in the chronology

B. Property Chronology – A list of all critical dates including, but not limited to, acquisition; initial securing; dates of all inspections and clearances including routine property inspections, lead based paint, other environmental and termite; completion of Property Condition Report; appraisal; title approval; winterization; all actions for which pass through expenses will be claimed; review dates of Part A and B, C, D Claims; initial list, dates of price reductions, if any; eviction initiation and completion; offer acceptance; receipt of signed sales contract; expiration of contingency period; contract extensions; review of HUD-1 and closing documents; closing; reconciliation.

C. Imaged Document Requirements

1. Property Inspection Reports
2. Title Report(s)
3. Mortgagee Requests for approval of overallowable expenditures and time extensions
4. Correspondence received and sent
5. Legal, municipal or association notices, citations or demands
6. Appraisals/ Broker Price Opinions
7. Health and safety repair work orders and photographs showing property before and after Contractor repairs to remove imminent health or safety hazards

8. Pass-through expense work orders
9. Property Condition Report
10. Sales Contract(s), addendums, disclosures and other sales documentation
11. Extension or cancellation notices
12. HUD 1 Settlement Statement

**D. EMS Reporting Requirements**

1. Administrative Remedies Report - Monthly
2. Closing Agent Deficiencies Report - Monthly
3. Aged Inventory Report - Monthly
4. HOM Status Report - Monthly
5. Litigation Status Report – Monthly
6. Asset Control Area Status Report – Weekly
7. Communications Log - Weekly

## **Officer/Teacher Next Door Programmatic Controls**

### **1. OND/TND Purchaser Eligibility Requirements**

As described in Section C, 5.4.2.2.1, eligible purchasers under the Officer Next Door and Teacher Next Door (OND/TND) programs include (i) full-time law enforcement officers, (ii) full time teachers and (iii) qualified nonprofit organizations and government entities, that either (a) assign the sales contract directly to an eligible officer or teacher or (b) conduct a three-party closing with an eligible officer or teacher. Additionally, there is a requirement that OND/TND purchasers, “Not own any other residential real property other than the home you purchased through the Officer Next Door Sales Program” (24 CFR 291.570). Ownership is defined as having one’s name on a deed. An OND/TND purchaser may be a signatory to other mortgages (debt) but may not have their name on any other deed for residential property.

Participating officers and teachers must provide a certification (Form HUD 9548-A) signed by themselves and their employing agency. This certification documents eligibility to purchase a home under the program by virtue of the nature of their job. The OND/TND participant further certifies that they will own the property, utilize it as their sole residence, and own no other residential real estate for a term of three years from the date of closing.

Prior to execution of a sales contract for an OND/TND transaction, the Contractor shall ensure that the purchaser and the purchaser’s employer has executed Form HUD 9548-A. The Contractor shall review the certification to verify that it indicates that the purchaser meets the eligibility requirements specified at 24 CFR Part 291 Subpart F for OND sales and TND Initiative Notice published in the Federal Register (FR) on December 7, 1999, 64 FR 68370, for TND sales. If the purchaser does not meet the eligibility requirements, the Contractor shall cancel the bid acceptance and notify the GTR of the reason for cancellation. If, at any time prior to closing, the Contractor obtains information that raises a question regarding the accuracy of the certification, the Contractor shall immediately notify the GTR. After closing, the Contractor shall deliver the original Form HUD 9548-A to HUD’s National Servicing Center as indicated in item five (5) below.

### **2. Restriction Of Program Sales To Single Unit Homes Only**

Eligible property is restricted to single unit homes for both OND participants (24 CFR 291.560) and TND participants (HN 99 – 30). This control, in tandem with the sole property control, helps to ensure that the properties purchased are bought for owner-occupancy and not for investment purposes. In accordance with Section C – 5.4.2.2.1, the Contractor shall only offer single unit properties for sale to OND/TND eligible purchasers.

### **3. Governmental Entity and Non-profit Purchasers of OND/TND Program Properties**

The OND/TND sales programs are open to participation by governmental entities and nonprofit organizations if they intend to resell these homes directly to law enforcement officers and teachers under the terms and conditions of the programs. Authority for these sales may be found at 24 CFR 291.580. In order to participate, governmental entities and private nonprofit organizations must either:

- (a) Assign the sales contract to a qualified law enforcement officer or teacher before, or at the time of, closing; or
- (b) Participate in a three party closing with the qualified law enforcement officer or teacher.

These transactions will require additional procedures due to the third party nature of the transaction. The Contractor will ensure that:

- Language is included in the sales contract with the governmental entity or nonprofit agency requiring the purchaser to comply with 24 CFR 291.580 and elects to proceed under either provision (a) or (b) above.
- The certifications on HUD Form 9548-A must be signed by the officer or teacher purchaser and their employer.
- The officer or teacher purchasing the home must meet all program eligibility and compliance requirements as though he or she were purchasing directly from HUD.
- The officer or teacher purchasing in turn from the local government or nonprofit agency executes an OND/TND mortgage and note.
- No fees or payments are paid to the governmental entity or nonprofit agency by or on behalf of the officer or teacher as consideration for the sale.
- Any additional closing costs resulting from the third party nature of the sale are not paid by HUD.

#### **4. Second Mortgage And Note Taken On Discounted Amount Of Sale (24 CFR 291.550)**

Since November of 1999, a second mortgage and note on the 50% discounted amount has been required on all Officer and Teacher Next Door Sales. The second mortgage and note are intended to act as an absolute bar to the sale of the property during the three-year required occupancy term without re-paying the appropriate portion of the discount.

The second mortgage is recorded in the appropriate local recorder of deeds office, or equivalent office. The second mortgage bearing an original stamp, seal or such other official evidence of recording, along with the original note, are retained by the HUD National Servicing Center for the duration of the three-year occupancy period.

At the end of the required occupancy period, the NSC will cause a release to be issued and filed on behalf of the Department. Thereafter, the officer or teacher is released from all further performance obligations arising out of the OND/TND program. If an OND/TND participant ceases to occupy the property as their sole residence during the three-year occupancy period, they shall be liable for the prorated amount of the discount, according to the chart below. The Contractor has no responsibility for monitoring occupancy or seeking refunds of prorated discounts.

<b><u>TIME PERIOD</u></b>	<b><u>AMOUNT OWED</u></b>
Post-Closing to initial occupancy	100% of original mortgage amount
Prior to first anniversary	90% of original mortgage amount
Prior to second anniversary	60% of original mortgage amount
Prior to third anniversary	30% of original mortgage amount
On or after third anniversary	0% of original mortgage amount

Prior to closing the Contractor shall ensure that the package of closing documents submitted for execution by the Closing Agent includes the OND/TND second mortgage and note as described above executed by the purchaser(s). The Contractor shall be responsible for ensuring the accuracy (property address, legal description, mortgage and discount amounts and occupancy dates) of these documents. Following closing, the Contractor shall ensure that the Closing Agent records the second mortgage. As described below, the Contractor shall deliver the note and recorded second mortgage to the NSC.

## **5. Document Delivery**

The Contractor shall forward a completed closing package for each OND/TND sale to the following address:

First Madison Services, Inc.  
4111 S. Darlington, Suite 300  
Tulsa, Oklahoma 74135  
(800) 967-3050

For each property, the post-closing package shall include:

- Sales Contract (Form HUD-9548) - copy or original.
- Law Enforcement Officer/Teacher Certification (Form HUD-9548-A) - original.
- Settlement Statement (Form HUD-1) - copy.
- OND/TND Subordinate Note - original signatures required.
- OND/TND Second Mortgage (Deed of Trust) – recorded original or a copy that has been certified by the County Recorder and has the County Recorder’s certifying seal. Copies that have been certified as originals by closing agents, attorneys, etc. are not acceptable.

Closing agents have been instructed to deliver recorded documents to the Contractor for packaging and transmittal to the NSC. Closing agents must not instruct County Recorders to deliver recorded documents directly to the NSC.

## **6. Servicing Responsibility**

NSC has responsibility for the servicing of OND/TND Second Mortgages. These responsibilities include 1) subordination requests, 2) annual re-certification of occupancy compliance process, 3) payoff requests and, 4) receipt of payoff funds.

The following policy statements are provided for informational purposes only, all requests for servicing exceptions on second mortgages received by the Contractor are to be referred to the NSC to the attention of the Director, or his designee at 888 297-8685.

- **Subordination Of HUD's Security Interest**

It is the Department's position that, during the required occupancy term the equity in OND/TND homes does not belong to the OND/TND participant, but rather to the FHA fund. The OND/TND participant "earns" the equity by remaining in the property for the required three-year term. Therefore, HUD will subordinate an OND/TND second mortgage interest to refinancing ONLY in the following circumstances:

- Re-financing the first to a 203K FHA insured loan, **or**
- Re-financing for the purpose of obtaining a lower mortgage interest rate or change in the term of the loan, **and**
- The OND/TND participant receives no cash from the refinanced transactions and does not use the equity to pay off other debts or expenses.

- **Annual Certifications**

NSC and/or an OND/TND Program Compliance Contractor conduct annual certifications. The Contractor has no responsibility for annual certifications.

- Annual Self-certification by Officers and Teachers (24 CFR 291.570(c) - OND/TND purchasers are required to certify annually in writing that they are occupying the purchased property as their sole residence. NSC maintains a list, by month, of all properties that closed during the previous three years.

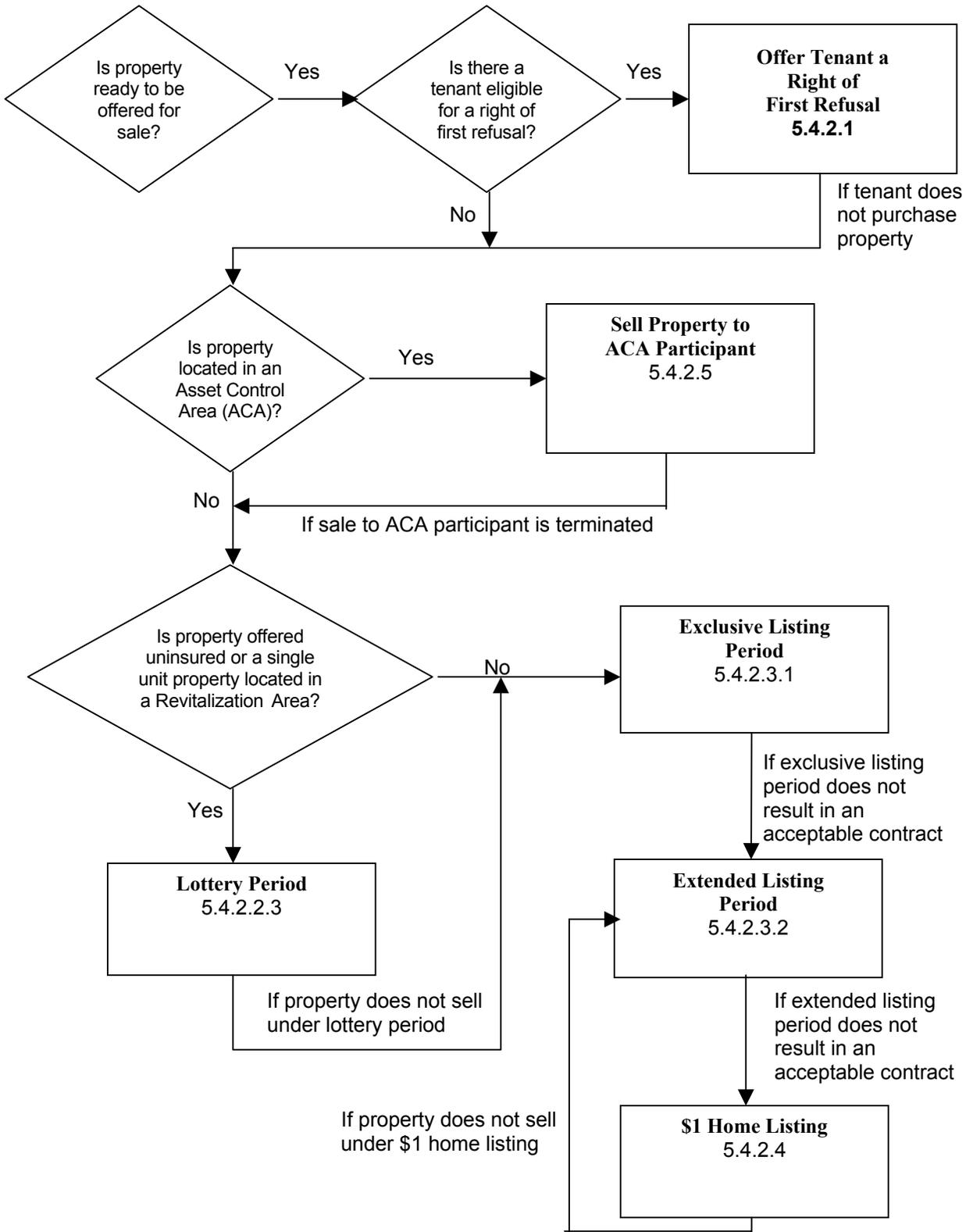
Letters with a certification statement for signature by the OND/TND participant area mailed by the NSC at the first, second, and third anniversaries of the OND/TND sale closing. OND/TND participants are instructed to sign and return the self-certifications within 14 days. Instructions on the correspondence will inform mail carriers that the letter is not to be forwarded but that an address correction is requested if available.

- Follow-up Letters - OND/TND participants that fail to respond within three weeks will be sent a follow up letter. OND/TND participants failing to return completed certifications by the 21st day after the initial mailing and for whom no forwarding address or undeliverable notice has been received, will be sent a "second notice" follow-up certification letter.
- Retention of Certification Records - The returned certification will be retained in the OND/TND participant's folder. OND/TND participants who fail to respond within three weeks will be considered in default of their obligations under the OND/TND program.

## **7. Complaints, Investigations and Referrals to OIG**

The Contractor shall immediately notify the GTR of all complaints and allegations of program abuse relative to the OND/TND program or OND/TND program participants received by the Contractor. In the event that the Contractor has information implicating HUD staff in any program violation, the Contractor shall immediately report the allegation directly to HUD's Office of Inspector General at 800 347-3735.

**Bid Process – Flow Chart**



## Contract Value Calculations

### **Base Year**

The estimated base year Property Management and Marketing fees, as stated above, were calculated using the estimated quantities for CLINs 0001 through 0005 that were set forth on the Worksheet, Attachment 15, in the solicitation for evaluation purposes, multiplied by the selected contractor's accepted unit prices as set forth in Section B.6 for each of the aforementioned CLINs.

The estimated base year Management Incentive Fee is 5% of the estimated CLIN 0001 base year Property Management fee. Five percent (5%) is the maximum percentage that can be earned by the Contractor as an incentive for exceeding certain management performance requirements. The estimated base year incentive fee was calculated using this maximum (See Section B.9 for more on Property Management Incentive Fee).

The estimated base year Marketing Incentive Fee is 10% of the estimated CLIN 0003 base year Marketing fee. Ten percent (10%) is the maximum percentage that can be earned by the Contractor as an incentive for exceeding certain marketing performance requirements. The estimated base year incentive fee was calculated using this maximum (See Section B.9 for more on Management Incentive Fee).

The estimated base year Pass-through Cost/Expenses were calculated using a per property (see CLIN 0008) pass through expense estimate, multiplied by the estimated base year CLIN 0001 quantities that were set forth on the Worksheet, Attachment 15, in the solicitation for evaluation purposes. The estimated per property estimate is different for each Home Ownership Center (HOC) and was derived by dividing the actual total pass-through expenses incurred by each HOC over a 12-month period by the total number of actual cases per HOC for that same 12-month period. Pass-through expenses do not include real estate taxes but reflect those expenses as outlined in Attachment 5.

### **Option Years 1 - 4**

After the base year performance period, the Administrative Contracting Officer (ACO) will establish the estimated contract value for each option prior to the option being exercised. The ACO will utilize the historical or empirical data available at the time the option is to be exercised to establish the estimated quantities for each option CLINs 0001 - 0005. Estimated Management and Marketing Incentive fees will be calculated as a percent of the estimated Property Management and Marketing Fee CLINs (0001 and 0003 respectively), using a maximum of 5% for Property Management and 10% for Marketing Fee incentives as stated above. Pass-through expenses will be tracked on a quarterly basis by the GTR (See B.7 CLIN 0008) and a report will be provided to the ACO on a quarterly basis. The data captured will be used to estimate the pass-through expenses for each option period. The estimated quantities for CLIN 0001 and CLIN 0003 cannot exceed the established maximum quantities as stated in Section B.3.

### Lead Based Paint Disclosure

HUD, its Contractors and the Selling Brokers working with the Department in the sale of HUD-owned properties, must fully comply with the requirements of the Lead Disclosure Rule (24 CFR 35, subpart A) with respect to the sale of all properties constructed before 1978.

1. **At Listing** – With respect to each property constructed before 1978, the Contractor shall, based on the information contained in the lead related reports or records known to the Contractor:
  - a. Complete and sign the appropriate Lead-Based Paint Disclosure Addendum (Addendum) indicating that the Seller does or does not have reports and records related to lead-based paint or lead hazards in the subject property, and post the signed Addendum on the property listing web site at the time the property is listed. The electronic version of the signed Addendum, and any supplements, shall accurately reflect the information in the paper version of the ink-signed Addendum, and any supplements. The electronic version of the Addendum, and any supplements, shall be capable of being printed, saved, or otherwise reproduced in the future by the Selling Broker and the Purchaser, if the Purchaser is not represented by a Selling Broker.
  - b. Include in the Property Condition Report for each property constructed before 1978, all available lead information, including as attachments to the Addendum, full copies of all lead-based paint inspection reports, risk assessment reports and/or other records pertaining to lead-based paint and/or lead-based paint hazards. The Property Condition report and all attached reports shall be posted on the property listing web site and listed on the Addendum.
  - c. No later than two (2) business days after receipt, post on the property listing web site, all records or reports related to lead-based paint or lead-based paint hazards that are obtained by the Contractor subsequent to the initial property listing.
  - d. Upon request of the Selling Broker or prospective Purchaser, provide all available reports and records to prospective bidders in paper format.
2. **Before Bid Submission** – Through Selling Broker training and instructions published on the M&M website, the M&M contractor shall be required to:
  - a. Provide the consumer electronic disclosures to the Selling Broker (or prospective Purchaser if he or she is not represented by a Broker), pursuant to 15 USC 7001 (c). Obtain the consumer electronic consents (or electronic confirmation of consent) from the Selling Broker (or prospective Purchaser if he or she is not represented by a Broker), pursuant to 15 USC 7001 (c). Direct the Selling Broker to download the Addendum and all available lead records and reports from the property web listing and deliver paper (or hard) copies of them to the potential Purchaser for review. The Purchaser's signature line on the Addendum shall be left blank pending acceptance of the bid.

- b. Direct the Selling Broker to provide potential Purchasers with a copy of the EPA-approved pamphlet “Protect Your Family from Lead in Your Home.” The pamphlet can be downloaded from the HUD web site in English or Spanish, at the following address: [www.hud.gov/offices/lead/disclosurerule/index.cfm#forms](http://www.hud.gov/offices/lead/disclosurerule/index.cfm#forms). A black-and-white camera-ready copy of the pamphlet ready for printing can be obtained from the National Lead Information Clearinghouse, at 1-800-424-LEAD, or [www.epa.gov/lead/nlicdocs.htm](http://www.epa.gov/lead/nlicdocs.htm).
- c. Notify Selling Brokers that they can obtain additional information on the Lead Disclosure Rule from the National Lead Information Clearinghouse (sponsored by HUD, EPA and the Centers for Disease Control and Prevention) by telephone at (800) 424-LEAD, or [www.epa.gov/lead/nlic.htm](http://www.epa.gov/lead/nlic.htm). Questions can be submitted by e-mail, and documents can be ordered at this site. Other information on the Lead Disclosure Rule is available from HUD’s website, [www.hud.gov/offices/lead](http://www.hud.gov/offices/lead).

3. **Following Bid Acceptance** – After the contractor accepts a bid, the Contractor shall:

- a. Ensure that the Selling Broker obtains the Purchaser’s signature and date on the Addendum and returns the Addendum to HUD along with the sales contract. The date of the Purchaser’s signature on the Addendum will be the commencement date of the fifteen (15) day *lead* contingency period.
- b. Deliver to the Selling Broker by overnight delivery any and all additional lead reports or information on the subject property that become available and were not posted on the website for retrieval prior to bid submission as well as a supplemental Lead-Based Paint Disclosure Addendum (supplemental Addendum), acknowledging receipt of any additional lead related documents.
- c. *If applicable*, ensure that the Selling Broker delivers the additional reports and information to the Purchaser and obtains the Purchaser’s signature on the supplemental Addendum and returns it to HUD.
- d. In the case of a sale where a Selling Broker does not represent the Purchaser, the Contractor shall complete the appropriate Addendum, entering "N/A" on the lines for Selling Broker’s signature. The Contractor shall sign on behalf of the Seller and deliver the Addendum to the Purchaser along with full copies of all lead related records and reports and a copy of the EPA-approved pamphlet “Protect Your Family from Lead in Your Home”. The date of the Purchaser’s signature on the Addendum shall be the commencement date for the fifteen (15) calendar day contingency period.

**LEAD-BASED PAINT DISCLOSURE ADDENDUM**

**SELLER HAS RECORDS OR REPORTS PERTAINING TO LEAD-BASED PAINT AND/OR LEAD-BASED PAINT HAZARDS**

**Property Case #:** \_\_\_\_\_  
**Property Address:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Lead Warning Statement**

Every Purchaser of any interest in residential real property on which a residential dwelling was built before 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The Seller of any interest in residential property is required to provide the Purchaser with any information on lead-based paint hazards from risk assessments or inspections in the Seller’s possession and notify the Purchaser of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended before purchase.

**Seller Acknowledgement and Contingency Period**

Reports and records are available for downloading and review from the property listing web site, and copies have been provided to the Purchaser. Purchaser has a contingency period to withdraw from the contract that expires fifteen (15) calendar days from the date of the Purchaser’s signature below. Because the Purchaser had access to lead records and reports before submission of its bid, the Purchaser may withdraw from the purchase contract by providing written notice of withdrawal on or before the contingency expiration date (as evidenced by the postmark on the Purchaser’s notice of withdrawal), but is not entitled to a refund of earnest money, *unless* the Purchaser obtained an independent lead-based paint inspection performed by a Certified Lead-Based Paint Inspector or Risk Assessor and the Purchaser provides the Seller with a copy of the inspection report

**The findings of the records or reports provided by the Seller are as follows:**

- \_\_\_\_\_ No lead-based paint or lead-based paint hazards were found.
- \_\_\_\_\_ Lead-based paint and/or lead-based paint hazards were found. None of the lead-based paint was deteriorated.
- \_\_\_\_\_ Lead-based paint and/or lead-based paint hazards were found. Some of the lead-based paint was deteriorated and Seller has already completed the required stabilization. The lead-based paint stabilization plan and the lead clearance report showing that acceptable levels were met are available for downloading from the property listing web site, and have been provided to the Purchaser as evidenced by the signature(s) below. No further stabilization is planned.

\_\_\_\_\_ Lead-based paint and/or lead-based paint hazards were found. Some of the lead-based paint was deteriorated. Seller caused to be prepared a lead-based paint stabilization plan that is available for downloading from the property listing web site and has been provided to the Purchaser as evidenced by the signature(s) below.

**Financing Type (Selling Broker to initial applicable item)**

\_\_\_\_\_ ***No FHA Financing of pre-1960 property, or no FHA Financing of 1960-1977 property that has lead records from previous owner(s) or from Seller:*** If the purchase of this property is not being financed with an FHA insured loan, the Seller will not complete any additional inspection, testing or clearance. The Purchaser has a contingency period to review reports provided by the Seller or to conduct independent investigation or assessment that expires 15 days from the date of the Purchaser's signature below.

\_\_\_\_\_ ***Any FHA Financing Except 203(k):*** This property is being sold subject to FHA insured financing under a program other than a 203(k) Rehabilitation Mortgage and, as disclosed above by the seller, deteriorated lead-based paint was found. If the Seller has not already done so, the Seller agrees to stabilize the deteriorated lead-based paint in accordance with the stabilization plan and obtain lead clearance by the close of the escrow period or any extensions thereof.

\_\_\_\_\_ ***FHA 203(k) Financing:*** This property is being sold subject to a 203(k) Rehabilitation Mortgage and, as disclosed above by the seller, deteriorated lead-based paint was found and the Seller has not already completed stabilization and clearance. The Purchaser shall stabilize the deteriorated lead-based paint as part of its work plan for the property rehabilitation and shall obtain lead clearance before occupancy. Purchaser shall complete the 203(k) Rehabilitation Financing Lead Agreement form.

**Purchaser Acknowledgement (initial applicable items)**

\_\_\_\_\_ Purchaser has received the pamphlet *Protect Your Family from Lead In Your Home*.

\_\_\_\_\_ Seller has provided, and Purchaser has received, copies of the records and reports available to the Seller. A list of lead-related records and reports is attached.

\_\_\_\_\_ Purchaser has received a 15-day opportunity to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards..

**Selling Broker Acknowledgement (initial)**

\_\_\_\_\_ Selling Broker is aware of his/her responsibility to ensure compliance with 42 U.S.C. 4852d.

**Certification of Accuracy**

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

\_\_\_\_\_ (Purchaser) \_\_\_\_\_, 20\_\_ (date)

\_\_\_\_\_ (Co-Purchaser) \_\_\_\_\_, 20\_\_ (date)

\_\_\_\_\_ (Selling Broker) \_\_\_\_\_, 20\_\_ (date)

\_\_\_\_\_ (Seller) \_\_\_\_\_, 20\_\_ (date)

**LEAD-BASED PAINT DISCLOSURE ADDENDUM**

**SELLER HAS NO RECORDS OR REPORTS PERTAINING TO LEAD-BASED PAINT AND/OR LEAD-BASED PAINT HAZARDS**

**Property Case #:** \_\_\_\_\_  
**Property Address:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Lead Warning Statement**

Every Purchaser of any interest in residential real property on which a residential dwelling was built before 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The Seller of any interest in residential property is required to provide the Purchaser with any information on lead-based paint hazards from risk assessments or inspections in the Seller’s possession and notify the Purchaser of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended before purchase.

**Inspection Contingency**

Seller has no records or reports pertaining to lead-based paint and/or lead-based paint hazards. The Purchaser has a contingency period that expires fifteen (15) calendar days from the date of the Purchaser’s signature below, to conduct at the Purchaser’s expense, an independent lead-based paint inspection, visual assessment for deteriorated paint, or risk assessment. The Purchaser may withdraw from the contract by providing written notice of withdrawal on or before the contingency expiration date (as evidenced by the postmark on the Purchaser’s notice of withdrawal). The Purchaser will be entitled to a refund of earnest money only if the Purchaser obtains an independent lead-based paint inspection performed by a Certified Lead-Based Paint Inspector or Risk Assessor, and the Purchaser provides the Seller with a copy of the inspection report.

**Financing Type (Selling Broker to initial applicable clause)**

\_\_\_\_\_ ***No FHA Financing of 1960-1977 Property:*** The purchase of this property is not being financed with an FHA insured loan. The Purchaser has an inspection contingency that expires 15 days from the date of the Purchaser’s signature below. The property is being sold as is with respect to all conditions including, subject to the above contingency, the potential presence of lead or lead-based paint hazards.

\_\_\_\_\_ ***Any FHA Insured Financing Except 203(k):*** This property is being sold subject to FHA insured financing under any program other than a 203(k) Rehabilitation Mortgage. Upon contract execution the Seller will procure a lead-based paint inspection and will deliver the inspection report to the Selling Broker by overnight delivery service along with a paint stabilization plan and cost estimate if deteriorated lead-based paint is found and a supplemental Lead-Based Paint Disclosure Addendum.

The Purchaser shall have the right to review the inspection report, paint stabilization plan and cost estimate. If the Purchaser is dissatisfied with the information provided, the Purchaser may withdraw from the contract and receive a full refund of earnest money by providing written notification to the Seller of the intention to withdraw. Written notification must be postmarked by the later of fifteen (15) calendar days from the date of the Purchaser's signature below or two (2) business days following the date of the Purchaser's signature on the supplemental Lead-Based Paint Disclosure Addendum.

If deteriorated lead-based paint was identified in the Report and the Purchaser does not exercise its option to withdraw from the sale contract, the Seller will stabilize the deteriorated lead-based paint in accordance with the stabilization plan and obtain lead clearance by the close of the escrow period or any extensions thereof.

\_\_\_\_\_ **FHA 203(k) Financing:** This property is being sold subject to a 203(k) Rehabilitation Mortgage. Upon contract execution the Seller will procure a lead-based paint inspection and will deliver the Report to the Purchaser by overnight delivery service along with a lead-based paint stabilization plan, if deteriorated lead-based paint is found, and a supplemental Lead-Based Paint Disclosure Addendum.

The Purchaser shall have the right to review the inspection report, paint stabilization plan and cost estimate. If the Purchaser is dissatisfied with the information provided, the Purchaser may withdraw from the contract and receive a full refund of earnest money by providing written notification to the Seller of the intention to withdraw. Written notification must be postmarked by the later of fifteen (15) calendar days from the date of the Purchaser's signature below, or two (2) business days following the date of the Purchaser's signature on the supplemental Lead-Based Paint Disclosure Addendum.

If deteriorated lead-based paint was identified in the Report and the Purchaser does not exercise its option to withdraw from the sale contract, the Purchaser shall stabilize the deteriorated lead-based paint as part of its work plan for the property rehabilitation and shall obtain lead clearance before occupancy. Purchaser shall complete the 203(k) Rehabilitation Financing Lead Agreement form.

**Purchaser Acknowledgement (initial)**

\_\_\_\_\_ Purchaser has received the pamphlet *Protect Your Family from Lead In Your Home*.

\_\_\_\_\_ Purchaser has received a 15-day opportunity to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards.

**Selling Broker Acknowledgement (initial)**

\_\_\_\_\_ Selling Broker is aware of his/her responsibility to ensure compliance with 42 U.S.C. 4852d.

**Certification of Accuracy**

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

\_\_\_\_\_ (Purchaser) \_\_\_\_\_, 20\_\_ (date)

\_\_\_\_\_ (Co-Purchaser) \_\_\_\_\_, 20\_\_ (date)

\_\_\_\_\_ (Selling Broker) \_\_\_\_\_, 20\_\_ (date)

\_\_\_\_\_ (Seller) \_\_\_\_\_, 20\_\_ (date)